Congress of the United States
House of Representatives

June 13, 2011

# VOTE NO ON H.R. 1249
# SPECIAL INTEREST PATENT BILL
# BENEFITS FOREIGN MULTINATIONALS
# OVER U.S. INVENTORS

Dear Colleague:

Please join us in opposing H.R. 1249, patent legislation that would favor large multinational corporations over U.S. inventors. While we may have different concerns with the legislation, as Members of Congress including two former Chairs of the House Judiciary Committee and a former Chair of the Small Business Committee, we agree that this special interest bill will cost jobs and harm small start-up inventors. The following is an effort to itemize the more important concerns that have been articulated by various groups with respect to the legislation.

**Retroactive Challenge to Financial Business Method Patents** – Numerous groups oppose Section 18 of H.R. 1249 because it provides large banks a special, new bailout at the expense of inventors and the American taxpayer, and even worse, does so on a retroactive basis. Section 18 establishes an unprecedented review procedure which would provide a "third bite at the apple" to attack a targeted group of financially-related business method patents that previously have been upheld through multiple examination, re-examination, and trial proceedings. According to Constitutional law expert Jonathan Massey, Section 18 "would create a special class of patents in the financial services field subject to their own distinctive post-grant administrative review. . . It is special interest legislation, pure and simple." The provision may well contravene constitutional principles of Separation of Powers, insofar as it permits final judicial determinations of a patent's validity to be overruled by an executive branch agency. Section 18, in the view of distinguished Law Professor Richard Epstein, would also constitute an unconstitutional taking of property, thus triggering the Fifth Amendment obligation for the Federal Government to pay just compensation to the patent holders. This means that U.S. taxpayers would be on the hook for the cost of the financial industry's patent infringements.

**Switching from First to Invent to First-to-File** – Several groups oppose H.R. 1249 because they view the change to first-to-file as a dangerous and unconstitutional effort to overturn over 220 years of patent practice. According to Article 1, Section 8: "The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Section 3 of the legislation would

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convert the U.S patent system from "first-to-invent" to "first-to-file", based on the European model. Groups believe the legislation would effectively set aside the Constitution's premise that an inventor is awarded a patent. In its place, the U.S. Business Industry Council (USBIC) contends that "the first person who can win a race to the patent office" is awarded the patent. The USBIC also contends that the bill's approach, awarding a patent to the first person to file, as opposed to the first person to invent, "was rejected by the Constitutional Convention and by the First Congress, in which many of the Constitution's framers sat. It was specifically rejected by Thomas Jefferson, one of the members of the original patent board." Phyllis Schlafly of the Eagle Forum has explained the move to first-to-file "stacks the deck overwhelmingly in favor of large corporations who are better staffed and funded to file applications." These groups also argue that moving to a "first-to-file system" will force U.S. inventors to prematurely disclose their inventions, creating the risk that foreign firms will unlawfully exploit U.S. invention overseas in countries such as China which have lax enforcement regimes.

**Retroactive Elimination of False Marking Cases** – A number of groups oppose H.R. 1249 because Section 16 undermines the false marking statute by retroactively changing the law applicable to pending enforcement actions. Currently, the patent system confers a 20-year monopoly on rights to use of an invention. The false marking statute enforces that term by prohibiting manufacturers from falsely claiming that a product is or remains patent protected beyond the term. Public Citizen believes the bill "would completely remove the incentive to stop intentional false labeling of products as patented. It would stifle innovation and mislead consumers simultaneously by undercutting the enforcement of the false marking law and deceptive product labeling of expired patents." They believe, based on recent court decisions that have already imposed more restrictive standards concerning present claims, section 16 would interfere in claims which are before the courts, and that providing a safe harbor for expiring patents compounds the retroactivity problem by ensuring that almost all pending litigation will be eliminated.

**Supplemental Examination and Patent Fraud** – Others oppose H.R. 1249 because it would allow patent owners to provide corrected or new information to the Patent Office that was not presented or not accurately presented during the application process. Under current law, patents are unenforceable and invalid if they are obtained through fraud. However, Section 12 would afford patent owners with the opportunity to request a supplemental examination of a patent to correct errors or omissions in proceedings before the Patent Office. As a result, the Generic Pharmaceutical Association believes Section 12 "could reward patent holders that knowingly falsify information in their original patent application with the USPTO or intentionally omit material information."

**Expanding Prior User Rights** - Several universities and others oppose H.R. 1249 because section 5 would expand the "prior user rights" defense to all patents. Under current law, businesses may claim prior user rights as a limited defense against patent infringement when the patent in question involves a method of doing business and another party has invented the new method, but not yet filed a patent application for it. If that method of doing business is later patented, the prior user is not liable for infringement to the patent holder. The Wisconsin Alumni Research Foundation contends that "any expansion of prior user rights would shift the constitutional principle of disclosure to a system favoring trade secrecy. By their very nature, trade secrets limit the dissemination of ideas, isolate scientific progress, and prevent society from sharing benefits that result from public investments in research." They believe this provision could create more uncertainty for small innovators and university-related start-up ventures which would have no way of knowing whether an invention might be subject to a

manufacturer's prior user rights. They also note section 5 would deter private investment in early stage innovation while encouraging multinational corporations to increase use of trade secrets, thus undermining the fundamental goals of the U.S. patent system.

Attached is a list of groups which oppose H.R. 1249 or have expressed objections about specific sections of it. You may also find letters and other materials concerning H.R. 1249 at http://democrats.judiciary.house.gov/issue/correspondence-related-materials-opposing-hr-1249-ldquothe-america-invents-actrdquo.

If you have any questions, please contact Jason Everett, Jason.Everett@mail.house.gov or Norberto Salinas, Norberto.Salinas@mail.house.gov at 225-6906 in Congressman Conyers' office, Mike Lenn, Michael.Lenn@mail.house.gov at 225-5101 in Congressman Sensenbrenner's office, Phil Eskeland, Phil.Eskeland@mail.house.gov at 225-5676 in Congressman Manzullo's office or John Brodtke, John.Brodtke@mail.house.gov at 225-4146 in Congresswoman Kaptur's office.

Sincerely,

John Conyers, Jr.
Judiciary Committee Chairman (2007 – 2011)

F. James Sensenbrenner, Jr.
Judiciary Committee Chairman (2001-2007)

Donald Manzullo
Small Business Committee Chairman (2001-2007)

Marcy Kaptur
Member of Congress

**The following groups have serious concerns about H.R. 1249 or specific sections of the reported bill:**

- U.S. Business and Industry Council
- US-Israel Science & Technology Foundation (Sections 3 and 5)
- Public Citizen (Section 16)
- The Heritage Foundation
- American Association for Justice (Section 16)
- Joan Claybrook, President Emeritus, Public Citizen
- National Consumers League
- Trading Technologies
- Generic Pharmaceutical Association (Section 12)
- Biotechnology Industry Organization (Section 12)
- Eagle Forum
- Intellectual Ventures (Section 18)
- Data Treasury (Section 18)

- Institute of Electrical and Electronic Engineers (IEEE-USA)
- Wisconsin Alumni Research Foundation
- Brigham Young University
- University of Kentucky
- American Innovators for Patent Reform
- Angel Venture Forum
- National Association of Patent Practitioners (NAPP)
- National Small Business Association
- IP Advocate
- National Association of Seed & Venture Funds
- National Congress of Inventor Organizations
- Inventors Network of the Capital Area
- Professional Inventors Alliance USA
- Public Patent Foundation
- Edwin Meese, III, Former Attorney General of the United States
- Let Freedom Ring
- American Conservative Union
- Southern Baptist Ethics and Religious Liberty Convention
- 60 Plus
- Tradition, Family, Property
- Gun Owners of America
- Council for America
- American Civil Rights Union
- Christian Coalition
- Patriotic Veterans, Inc.
- Center for Security Policy
- Family PAC Federal
- Liberty Central
- Americans for Sovereignty
- Association of Christian Schools International
- Conservative Inclusion Coalition
- Oregon Health & Science University
- North Dakota State University
- South Dakota State University
- University of Akron Research Foundation
- University of New Hampshire
- University of New Mexico
- University of Utah
- University of Wyoming
- Utah Valley University
- Weber State University
- WeReadTheConstitution.com