



Talking Points: Patent Reform

Background: In April, the Senate passed its version of patent reform legislation with overwhelming bipartisan support by a vote of 95-5. The House proposal recently passed out of the House Judiciary Committee by a vote of 32-3. The bill has industry broad support and President Obama has said that he will sign it into law if it passes the House.

Patent Reform is Long Overdue:

- In the last 60 years we've seen tremendous technological advancements, going from computers the size of closets to wireless technology in the palm of your hand.
- Meanwhile, the patent system that protects today's technology has gone largely unchanged.
- **We cannot protect the technologies of today with the tools of the past.** Our outdated patent system has become a barrier to innovation.
- **This year, for the first time, China is expected to become the world's number one patent publisher, surpassing the U.S. and Japan in the total and basic number of patents.**
- If we want to remain a global leader in innovations and technology, we must update our patent system to encourage innovation that leads to job creation.

First-to-Invent vs. First-Inventor-to-File:

- Like the Senate bill, the House proposal switches the basic standard of patent approval from a "first-to-invent" to "first-inventor-to-file."
- America is the only major developed country that still uses the costly and complex "first-to-invent" standard to award patents.
- **The current system is riddled with patent uncertainty, inviting years of costly litigation over patent ownership. The more time we waste on frivolous litigation, the less time we have for innovation.**
- According to the Patent and Trademark Office (PTO), **it costs anywhere from \$400,000-\$500,000 to pursue an interference proceeding**, claiming the right to a patent based on an earlier invention. As the *New York Times* recently pointed out, "most small inventors don't have that kind of money. Big corporations do."
- The "first-inventor-to-file" system creates certainty about patent ownership, and therefore reduces costly litigation. This certainty is necessary to raise capital, expand businesses and create jobs.

- And the "first-inventor-to-file" system makes it easier for U.S. inventors to patent innovations internationally because they will not have to prepare applications for two different systems.
- This provision returns us, in some respect, to a system that our Founders created and used, which was a "first-inventor-to-register."
- And former Attorney General Michael B. Mukasey recently referred to the proposal as both "constitutional and wise."
- The Constitution expressly grants Congress the authority to "promote the Progress of Science and useful Arts."
- H.R. 1249 improves the patent system, ensuring the better protection and promotion of intellectual property that spurs economic growth and generates jobs.

Fee Diversion (Section 22):

- The PTO has a **backlog of 1.2 million patents pending approval**. As of July 2010, more than 700,000 had not even reached an examiner's desk.
- **It takes an average of three years to get a patent approved in the U.S.** These are products and innovations that can grow businesses, create jobs and save lives.
- H.R. 1249 ends fee diversion and preserves congressional oversight by creating a fund for fees collected by the PTO.
- Under current law, the PTO is forced to give the money it raises through fees for services provided to inventors back to the Treasury and must later request the funds from Congress during appropriations.
- But rather than giving the funds back to PTO to help address the backlog of patent applications, the fees are often diverted to other federal programs.
- **Since 1992, nearly \$1 billion has been diverted from the PTO.**
- **The money in the fund will be reserved for and used by the PTO and only the PTO. This maintains congressional oversight, while making sure that fees collected by the PTO can no longer be diverted.**
- Allowing the PTO to retain the fees it collects means good patents are approved more quickly. That means more products for American consumers and more jobs for American workers.
- **NOTE:** This provision does NOT increase federal spending or contribute to the federal deficit. The money collected by the PTO is not taxpayer dollars, but rather fees paid by inventors and trademark filers for agency services.

Business Method Patents (Section 18):

- Section 18 of H.R. 1249 creates a reexamination process for a limited number of business-method patents. It addresses mistakes that occurred following the creation of a new class of patents called business-method patents in the late 1990s.
- **The PTO was ill-equipped to handle the flood of business-method patent applications that followed the ruling.** Few examiners had the necessary background and education to understand the inventions and lacked information regarding prior art.
- As a result, the PTO issued some weak patents that have led to frivolous lawsuits.
- **Section 18 establishes a pilot program that allows the PTO to reexamine a limited group of questionable business-method patents.**
- If someone is being sued by a business-method patent holder, that individual can petition the PTO to review the patent in question using the best prior art available.
- Bad patents that never should have been issued will be eliminated. Good patents that pass muster under this scrutiny will have even stronger legal integrity. This isn't favoritism; it is a fair result for all parties.
- Criticism that section 18 constitutes a 'takings' is unfounded. If a patent is bad and shouldn't have issued in the first place, there was no property right properly established.
- This is no different than patents that are scaled back or eliminated under existing reexamination proceedings within the USPTO.

Broad Support:

- **H.R. 1249 has broad support from industry leaders, independent inventors and academic institutions.**
- Supporters include: 3M, Apple, Dell, eBay, Facebook, General Electric, Google, IBM, Johnson & Johnson, PhRMA, Proctor & Gamble, Eli Lilly, associations representing more than 250 American universities, a group representing more than 100 independent inventors, and the Small Business & Entrepreneurship Council representing more than 100,000 members.
- For more information about patent reform, please visit:
http://judiciary.house.gov/issues/issues_patentreformact2011.html