



May 31, 2011

The Honorable Lamar Smith
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to provide the views of the U.S. Department of Commerce on the “America Invents Act,” H.R. 1249 as reported by the House Committee on the Judiciary on April 14, 2011. As the Chairman and Ranking Member and I have discussed on several occasions, passage of needed reforms to our patent laws has been a high priority for me during my time as Secretary of Commerce because of its importance to America’s competitiveness and our economic growth.

The Administration continues to strongly support the bipartisan efforts of Congress to enact patent reform legislation that will accelerate innovation, and create new jobs, new industries and new economic opportunities for Americans. Enactment of a balanced bill is an important part of the Administration’s goal of “out-innovating” our economic competitors and winning the future – and it can be done with no cost to taxpayers and no addition to the deficit.

Accordingly, we supported passage of the Senate’s recent patent reform legislation, S. 23, and welcome the House Judiciary Committee’s timely consideration and approval of an amended version of H.R. 1249. These two bills are identical in many respects, and we are confident that the variations between the two can be resolved and that enactment of a bipartisan consensus bill is within reach. We look forward to working with Congress toward prompt passage of legislation that will enable more timely and quality-focused examination of patent applications, establish a secure funding mechanism for the United States Patent and Trademark Office (USPTO), and reduce litigation uncertainties and costs.

Our views on certain key provisions of H.R. 1249, as reported, that are important to our goals of an appropriately funded and well-functioning USPTO and successful passage of a balanced bill are as follows.

First Inventor to File

We strongly support the proposed transition of the United States to a first-inventor-to file system. It is an essential feature of any final bill that will simplify the process of acquiring rights while protecting innovators. The first-inventor-to-file provision is consistent with the practices of our economic competitors, and would benefit U.S. businesses by providing a more transparent and cost-effective process that puts them on a level playing field with the rest of the world. The proposed legislation provides a more transparent and certain grace period (a key feature of U.S. law) and a definite filing date that enables inventors to promote, fund and market their technology while making them less vulnerable to costly patent challenges, which disadvantage small entity inventors. These changes, as outlined in H.R. 1249, will benefit all stakeholders, both small and large, regardless of the field of innovation.

USPTO Fee Setting and Funding

We are pleased that H.R. 1249 includes fee-setting authority for the USPTO, an essential provision that will allow the agency to establish and adjust its fees – subject to oversight – to reflect changes in costs, demand, and workload and thereby ensure full cost recovery at no expense to America’s taxpayers. Moreover, it will allow the USPTO to process applications more quickly and produce higher-quality patents that are less likely to be subject to a court challenge.

This bill includes strong oversight of the USPTO in addition to that which the agency currently receives from the U.S. Department of Commerce and the Office of Management and Budget under existing law. The legislation incorporates a deliberative and transparent review process, input and oversight by the Patent and Trademark Public Advisory Committees, by stakeholders through public hearings and *Federal Register* notices with comment periods, and by Congress in a 45-day comment period. We support this package as a comprehensive and appropriate set of mechanisms to ensure all fee changes are well-considered and well-calibrated.

Fee-setting authority, coupled with the right to use all fees paid by patent applicants without fiscal year limitation, will permit the USPTO to engage in multi-year budget planning and achieve a stable funding model that supports future investments and improvements in operations. This structure is critical to enable the USPTO to better meet the needs of America’s innovators. We would like to work with the Committee to provide technical changes to the legislation needed to ensure that the USPTO can make interim fee adjustments so it can best use this new authority on day one, as it transitions to a thoughtful and transparent process to adjust its fees.

Post-Grant Review Proceedings

The Administration supports establishing a new post-grant review proceeding and retooling the existing post-grant *inter partes* reexamination procedure. These proceedings will serve to minimize costs and increase certainty by offering efficient and timely alternatives to litigation as a means of reviewing questions of patent validity. Such proceedings also will provide a check on patent examination, ultimately resulting in higher quality patents. It is important that post-grant review proceedings be designed to prevent delay and abusive challenges, but still enable valid challenges based on meritorious grounds.

We believe that the provisions contained in H.R. 1249 – including those covering regulatory authority, threshold and estoppel issues – will adequately address these concerns. Various safeguards and flexibilities are included in the proposed proceedings to enable USPTO to effectively implement and manage them. The bill also establishes a time-limited transitional post-grant review proceeding, which would enable the USPTO, upon petition, to review the validity of a limited range of business method patents to address particular challenges faced in this technology area as a result of case law developments.

Pre-issuance Submissions

Further measures to increase the quality of patents include the provision in H.R. 1249 that increases the opportunity for third parties to submit potentially relevant prior art to the USPTO after publication of an application and before examination. This provision will help to ensure that USPTO's examiners have before them the best available prior art for consideration.

Prior User Defense

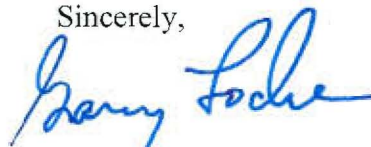
H.R. 1249 includes provisions to expand the current prior user defense to all areas of technology. As a matter of fairness, we believe that innovators who independently create and commercialize technology should not be penalized for, or deprived of, their investment. As a result, we believe that the availability of a prior user defense is, on balance, good policy. We recognize, however, that some in the university community have raised concerns about the provision, and we stand ready to work with the Committee on any proposed revisions.

The Honorable Lamar Smith
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Again, we are grateful for the Committee's timely consideration of H.R. 1249, and we look forward to working with you toward final enactment of historic patent reform legislation in support of America's innovators, job creation and economic growth across the United States.

The Office of Management and Budget has advised that there is no objection to the transmittal of these views from the standpoint of the Administration's program. If you have any questions, please contact me or April Boyd, Assistant Secretary for Legislative and Intergovernmental Affairs, at 202-482-3663.

Sincerely,

A handwritten signature in blue ink that reads "Gary Locke". The signature is written in a cursive, flowing style.

Gary Locke



UNITED STATES DEPARTMENT OF COMMERCE
The Secretary of Commerce
Washington, D.C. 20230

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Ranking Member
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515

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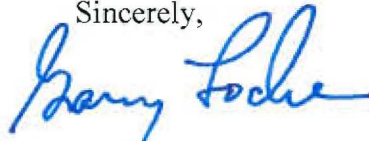
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