

H.R. 1249, AMERICA INVENTS ACT – CONSTITUTIONALITY

June 2011

In April, H.R. 1249, the “America Invents Act” was voted out of the House Judiciary Committee 32-3. This vote came on the heels of a 95-5 vote in the Senate in March. The product of 4 Congresses, dozens of hearings and several bill iterations, the Act reduces the costs of frivolous litigation, increases patent certainty and promotes the creation of American jobs. The bill modernizes our patent system in a constitutional way that would make our Founding Fathers proud.

FIRST-INVENTOR-TO-FILE:

- **First-Inventor-to-File (FITF)** – shifts the U.S. to the FITF system, ending the need for expensive discovery and litigation over priority dates and putting an end to expensive interference proceedings that small entities overwhelmingly lose (or can't afford), while ensuring that inventors can establish priority dates by filing simple and inexpensive provisional applications. This is a change that former Attorney General Michael Mukasey called both “constitutional and wise.”
- **Constitutionality:**
 - FITF leaves unchanged the existing requirement that a patent only issues to one who invents or discovers. This assures that the FITF provision is constitutional.
 - Article I, Section 8, Clause 8 of the Constitution refers to “inventors,” not to “first inventors,” it does not limit or place conditions on how Congress should determine patent rights, and it does not even specify that the “exclusive right” must be in the form of a patent.
 - The Constitution permits Congress to protect those who invent or discover. Courts have long held that a person who independently invents something is an “inventor,” and does not lose that status simply because someone else has also invented the same thing.
 - Under the Constitution, Congress can choose to provide patent protection in a way that Congress believes best accomplishes the goals of the patent laws. The best way to assure disclosure and development is to reward the first-inventor-to-file, to ensure that an invention is shared with society at large through the patent process.
 - FITF actually returns us to a system that our Founders used and created – a first-inventor-to-register system – used for our nation’s nearly first half-century. This system focused on the inventor but not necessarily the first to invent.
- **Legal Costs** – The current system’s costly interference proceedings disadvantage small business and independent inventors. To win an interference proceeding an inventor must comply with complex and legalistic procedures, with costs that run well over \$500,000. In the past 7 years, only one independent inventor out of 3 million patent applications filed has successfully proved an earlier date of invention over the inventor who filed first.

ADDITIONAL REVIEW:

- **Post-Grant Review, Inter Partes Review and Supplemental Examination** – these provisions create cost-effective alternative legal forums at the USPTO that will provide a simpler way to review questions of patentability, reducing the costs of frivolous litigation on job creators. The cost of such proceedings is expected to be 50-100 times less expensive than litigation and could deliver \$8 to \$15 in consumer benefit for every \$1 invested.
- **Business Method Patent Transitional Program** – creates an administrative program for review of business method patents, the patentability of which was sharply restricted in the Supreme Court's recent *Bilski* decision. This provides a much cheaper alternative to litigation and allows the experts at the Patent Office to review business methods in light of proper standards and the best prior art. This transition program is limited to a category of patents that Congress and the PTO believe are more prone to abuse than other patents, and represents a constitutionally proper decision on how to spend limited resources.

- **Constitutionality:**
 - These provisions do not change substantive patent law at all, or even the fundamental procedure of reexamination. The reexamination process allows the PTO to review patents that may have been issued in error. If a party is issued a patent that does not comply with the law, and is therefore invalid, it is not a taking for either a court or the PTO to make that determination.
 - Congress is entitled to allocate the responsibility of determining whether a patent was properly granted to the courts or to the PTO. As long as parties can challenge decisions in court, as is the case here, the administrative nature of the proceeding has no constitutional significance.
 - The Framers were also aware of the ability of governmental agencies to make mistakes. They would not have been surprised by efforts to ensure that patent rights may be exercised only when the underlying patent claim is valid and the patent was properly issued. From our founding, patents have never been regarded as a fully and irrevocably vested right.
 - The PTO already administers several post-grant review programs, which have been held to be constitutional. This proceeding is no different. The constitutional objections to this provision lack merit, because those objections call into question numerous decisions that have been repeatedly affirmed by the Federal Circuit over the past three decades.
 - The argument that reexamination proceedings should not retroactively apply to existing patents or would upset settled property rights were all rejected time and again by the Federal Circuit.
 - By their nature, patents are continually subject to challenge. Providing a more robust procedure does not create a second bite at the apple. Only reexamination provides a vehicle for answering the question of whether or not the PTO made a mistake – and if so, there should be an opportunity to remedy that mistake.

LEGAL SCHOLARS:

- **(former) Attorney General Michael Mukasey** – On FITF: “I believe the provision is constitutional, and helps assure that the patent laws of this country accomplish the goal set forth in the Constitution: ‘To promote the Progress of Science and useful Arts.’”
- **(former) Assistant Attorney General Viet Dinh** – On Post-Grant Review: “Those constitutional objections have already been considered and rejected by the Federal Circuit, and would undoubtedly be rejected once again were they to be raised as grounds for challenging Section 18. They therefore present no basis for rejecting the much-needed reforms that the America Invents Act will bring to patent law.”
- **(former) 10th Circuit Federal Appeals Court Judge Michael McConnell** – On Post-Grant Review: “In sum, there is nothing novel or unprecedented, much less unconstitutional, about the procedures proposed in section 6 and 18 of the America Invents Act. The proposed procedures simply expand existing reexamination procedures to a broader array of invalidity issued.”
- **Law Professors Letter (Emory, Stanford, Chicago, Vanderbilt, NYU, Indiana, Wisconsin, Washington etc.)** – On FITF: “The signatories to this letter, all professors of law, disagree with this claim of unconstitutionality. The claim cannot be squared with accepted and longstanding rules of current patent law.”