Dec. 21, 2016

Vice President-Elect Mike Pence
Presidential Transition Headquarters
1800 F Street, NW, Room G117
Washington, DC 20270–0117


Dear Mr. Vice-President Elect:

On behalf of the American Bar Association Section of Intellectual Property Law, I am pleased to submit the enclosed comments regarding the Section’s views on the United States intellectual property system.

The ABA is the legal profession’s leading national voluntary bar organization, having nearly 400,000 members hailing from each of the fifty states, the District of Columbia, and the U.S. territories, with an equally broad representation of the countless different areas of law in which to practice. The Section of Intellectual Property Law (“ABA-IPL Section”) is the world’s largest organization of intellectual property professionals, with approximately 20,000 members. The ABA-IPL Section membership includes lawyers representing a wide array of business and other interests, and thus its views reflect a broad perspective of the important issues our country faces in developing, improving, and enforcing intellectual property rights for the overall benefit of the United States economy.

The views expressed in this letter are those of the ABA-IPL Section. These views have not been submitted to the ABA House of Delegates or Board of Governors, and should not be considered as views of the American Bar Association.

As the United States struggles to maintain its position as the economic and technologic world leader, our intellectual property system provides the protections necessary to keep inventors and creators from falling victim to theft both from within and beyond the borders of our great nation. Intellectual property laws provide the incentive needed to promote aggressive private investment in the development of new life saving medicines and medical devices, new communications technologies, and so much more. And they allow those companies to combat efforts to steal their technological crown jewels and rip off their products.
Protecting the industries that drive our economy is an essential role of our federal government. Accordingly, the ABA-IPL Section’s comments are submitted to aid the transition team in identifying areas where our federal protections need to be buttressed against the constant threat of theft.

I would be happy to respond to any questions that you may have after reviewing these comments.

Very truly yours,

Donna P. Suchy
Section Chair
American Bar Association
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Positions and Recommendations of the ABA Intellectual Property Law Section

Executive Summary

The ABA is the legal profession’s leading national voluntary bar organization, having nearly 400,000 members. Its members come from each of the fifty states, the District of Columbia, and the U.S. territories. Membership includes attorneys in private practice, government service, corporate law departments, and public interest organizations, as well as legislators, law professors, law students, and non-lawyer associates in related fields. The ABA Section of Intellectual Property Law (“ABA-IPL Section”) is the world’s largest organization of intellectual property professionals, with approximately 20,000 members. The Section membership includes lawyers representing a wide array of business and other interests, and thus it has available to it a broad perspective of the important issues our country faces in developing, improving and enforcing intellectual property rights for the overall benefit of the United States economy. The positions the ABA-IPL Section takes on these important issues have particular credibility because those consensus positions are developed after considering the diverse range of views and interests in the Section. The following are a list of positions the ABA-IPL Section has taken on issues important to the health of our IP system and, therefore, the United States economy.

At the present time, the Section supports:

- The next Director of the U.S. Patent and Trademark Office (“PTO”) must at least have a professional background and substantial experience in patent and trademark law;
- Applying the test for determining if an invention is eligible for patent protection (under 35 U.S.C. § 101) separate and apart from considerations of whether the invention meets patent validity tests, such as novelty, nonobviousness, written description, and definiteness;
- Formulating a reasonable standard for awarding attorney fees, but strongly opposes mandating an award of attorney fees to prevailing parties in all patent cases;
- Authorizing direct enforcement actions by the Federal Trade Commission against parties that send bad faith demand letters alleging patent infringement;
- Providing for stays of suits in patent cases against retailers or end users;
- Appointment of a Register of Copyrights who is a highly skilled and renowned copyright expert;
- Providing the Copyright Office with sufficient autonomy from the Library of Congress so that it can obtain, manage and apply adequate resources necessary for the Office to maintain a robust and up-to-date recordation system while promoting ease of licensing of creative works;
- Establishing a copyright small claims tribunal;
- Permanently vesting the PTO with fee setting authority;
- Requiring the PTO to authorize reasonable amendments to claims of patents that are subjected to challenges at the Patent Trial and Appeal Board (“PTAB”) or, alternatively, to apply the “plain meaning” (“Phillips”) claim interpretation standard in those proceedings;
- Prohibiting the spending of PTO user fees on any activities for purposes unrelated to the PTO’s mission;
- Permitting the “expungement” or deletion of unused goods and services from the trademark register to the extent such mechanisms are crafted in a manner to avoid abuse; and
- Limiting the ability of the Department of Defense to acquire rights to the intellectual property of its contractors without compensation.
As support for the above general statements of the positions of the Section, we submit the following information to the Administration transition team:

I. Qualifications of the Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

For nearly thirty years, the American Bar Association has had policy advocating that “any person selected to be [the PTO Director] be a lawyer having experience in patent and trademark law, knowledgeable of both domestic and international laws concerning these matters, and well qualified to represent the United States Patent and Trademark Office domestically and to advocate United States positions on patent and trademark matters internationally.” Ten years ago, in recognition of the growing size and complexity of the U.S. government’s patent and trademark operations, the ABA amended the above policy to also recommend that persons selected “have management skills sufficient to oversee the operations of the Patent and Trademark Office.” Title 35, United States Code contains a similar but less demanding statement of qualifications for the Director, that he or she “has a professional background and experience in patent or trademark law.” Of course, the statutory mandate should be the primary qualification of any person selected for this office.


As the United States faces many challenges in maintaining its position as the economic and technologic world leader, the patent system provides a necessary incentive to promote aggressive private investment by all types and sizes of investors in the development of new technologies and formation of new businesses. Abraham Lincoln described the effect that a strong patent system has on investment in innovation as “add[ing] the fuel of interest to the fire of genius.” Companies armed with patent rights are not only well equipped to fend off the theft of their ideas, but small and emerging businesses and universities are often dependent on patents to attract desperately needed investment.

Over the last several years, however, the U.S. Supreme Court has continued to deny patent rights in certain kinds of inventions and thereby deny investors the right to benefit from the risk they have taken. These decisions serve to discourage investment in small business and private R&D. The Supreme Court has discouraged investment in U.S. businesses by interpreting the definition of what may be patented, as found in 35 U.S.C. § 101, so narrowly as to hold that even “groundbreaking, innovative, or even brilliant discoveries” are to be excluded from patentability. They have rejected the patenting of inventions that, consistent with the intent of the Framers of our Constitution, unquestionably promote the advancement of technology and greatly benefit society. As a result, lower courts and the PTO have been forced to strike down patents to such brilliant inventions as those recognized as having changed the practice of medicine.

In Mayo Collaborative Services v. Prometheus Laboratories, Inc., 566 U.S. 10, 132 S. Ct. 1289 (2012) (“Mayo”), the Supreme Court rewrote the test for determining whether patents impermissibly claim a law of nature, natural phenomena, or abstract idea itself. The rewritten test was so vaguely crafted and articulated in Mayo that it has been inconsistently interpreted and applied by lower courts. Subsequently, in Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347 (2014) (“Alice”), the Supreme Court effectively undercut the patent eligibility of most software inventions. The cumulative effect of these two Supreme Court cases, and their progeny in the lower courts, has been a significant dampening
of the availability of patent protection to encourage research, innovation, and investment in the life sciences and computer fields, in particular.

Take, for example, a lower court case commonly called “the Sequenom case” (Ariosa Diagnostics, Inc. v. Sequenom, Inc., 788 F.3d 1371 (Fed. Cir. 2015)). The Sequenom case involved an invention that “revolutionized prenatal care.” The invention was a groundbreaking new method for testing the DNA of a fetus without exposing the fetus to any risk of harm. Only a few years ago, prior to this groundbreaking invention, invasive prenatal diagnostics, including diagnosis of Down Syndrome and other genetic disorders, put a fetus at serious risk of miscarriage. Sequenom developed a simple blood test that detects genetic disorders using a sample of the mother’s blood without risk to the fetus. At the time, the scientific and medical community did not think it was possible that fetal cell-free DNA would be present in that blood, and it was universally discarded. The Federal Circuit agreed with Sequenom that the invention “reflects a significant human contribution...and utilized man-made tools of biotechnology in a way that revolutionized prenatal care.” Id. at 1379. The court said, “We agree but note that the Supreme Court instructs that ‘[g]roundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry.’” Id. (citing Myriad Genetics, Inc., 133 S. Ct. at 2117). The Federal Circuit said, however, that its hands were tied and that it could not uphold the patent even though the “The Royal Society lauded this discovery as ‘a paradigm shift in non-invasive prenatal diagnosis,’” and that the inventors’ initial article describing this invention has been cited well over a thousand times. The court held that it was compelled to affirm the district court’s finding that the claims were patent ineligible under the Supreme Court’s decision in Mayo that effectively prohibits the patenting of any methods for detecting natural phenomenon, including the existence of fetal DNA in the mother’s blood.

Perhaps the greatest risk to the patent system in modern times is the Supreme Court’s recent lack of appreciation for significant advancements in technology and science achieved through the practical application of a previously unknown law of nature or physical phenomenon. The historic reason for the patent eligibility test is to prevent the patenting of pure laws of nature, natural phenomena, or abstract ideas themselves, but not preventing the patenting of their application in particular fields. A practical application of an invention recognized throughout the industry as groundbreaking, innovative, brilliant, or creating a paradigm shift, should be unquestionably patent eligible, whether it involves a natural occurring substance or not.

The ABA-IPL Section would like to emphasize that the limitations on the availability of patents, as provided for in Article 1, Section 8, Clause 8 of the U.S. Constitution, must be consistent with:

- the intent of Congress to promote the progress of the useful arts by enacting patent laws to allow the fullest range of patent-eligible subject matter permissible under the Constitution, under criteria that are objective in character and that produce predictable results; and
- the Supreme Court’s analysis in Diamond v. Diehr, 450 U.S. 175 (1981), mandating consideration of novelty, nonobviousness, written description, and definiteness only under their respective statutory sections, and not as part of a subject-matter eligibility determination under 35 U.S.C. § 101.

The Supreme Court’s recent pronouncements of the patent eligibility test and their application by lower courts, are not consistent with the Constitutional requirements of our patent system. The ABA-IPL
Section also would like to emphasize that, consistent with Congress’s intent to promote science, tests for limiting the availability of patents may not:

- improperly distill the “invention” as claimed to its gist, “inventive concept,” or “basic character,” in order to render it patent ineligible;
- improperly discount claim limitations that may be found to be “long pervasive” techniques, “obvious” applications of known scientific and business principles, “purely conventional” subject matter, and “inventive concepts,” which are of relevance only to validity tests such as novelty under § 102 and nonobviousness under § 103, and not as part of a subject-matter eligibility determinations under § 101; and
- improperly ignore claim limitations based on a patent claim extending beyond the patent’s disclosure or based on claim definiteness—breadth and definiteness are of relevance only to the validity requirements including the written description, enablement, and definiteness requirements under § 112, and not as part of a subject-matter eligibility determination under § 101.

III. Patent Litigation Abuse Reforms

The Obama administration made curbing patent litigation abuse a priority. It issued reports on the issue and President Obama even spoke of the need to address abuse in a state of the union address. The Obama administration also worked closely with the PTO, the ITC, the Department of Justice, the FTC and the tech industry to take on patent abuse. While the Section agrees that litigation abuse should not be tolerated in our system of justice, at the same time the solutions put forward to address such abuse should not be so broad as to upset the normal and accepted case management procedures of our court system and should not risk harming the vital role the patent system plays in our economy.

With regard to pending legislation, the Section supports authorizing direct enforcement action by the Federal Trade Commission against unscrupulous entities that send out bad faith demand letters alleging patent infringement, with the objective of obtaining extortionist settlements. Many of the remaining provisions in legislation intended to address patent litigation abuse, however, are being addressed by the courts and in some instances have been rendered unnecessary by intervening case law. For example, by amending the Federal Rules of Civil Procedure to eliminate a form of pleading that provided inadequate notice of the nature of a patent infringement cause of action (and making patent infringement causes of action subject to standard pleading case law), and by lessening the standards for obtaining attorney’s fees for frivolous complaints, the courts have taken steps to lessen the risk of patent litigation abuse by depriving potential abusers (e.g., so-called patent trolls) of the ability to coerce legitimate businesses into agreeing to license questionable patents.

Specifically, the Section has the following views on proposed patent litigation abuse reforms:

a. Fee Shifting

While the Section supports lowering of the requirements for a prevailing party to prove that the defendant’s conduct entitles the prevailing party to an award of attorney fees, the Section opposes mandating an award of attorney fees to prevailing parties in all patent cases. The latter would result in ancillary litigation on fees in virtually every case, and may establish financial barriers to discourage the filing of legitimate claims of patent infringement by businesses and universities with fewer resources.
b. **Curbing Demand Letter Abuse**

The Section supports legislation authorizing enforcement actions by the Federal Trade Commission against parties that send out letters falsely alleging patent infringement to extract unjustified settlements. Rather than blanket policies that effect all patent holders, targeting the true offenders offers an efficient and cost effective action to combat these abusive tactics.

c. **Customer Stays**

The Section supports legislation that would prevent litigation abuses in patent case by providing for stays of suits in cases against retailers or end users who merely sell or buy the products of others. Patent litigation should involve the parties in the best position to resolve the issues, the manufacturers and suppliers themselves, and not their customers. Unless retailers or end users have materially modified the product or process in question so as to cause the infringement, they should be given the option of a stay until the infringement case against their supplier is resolved.

d. **More Detailed Complaints**

On December 1, 2015, the Supreme Court amended the Federal Rules of Civil Procedures such that a patent plaintiff could no longer file a notice pleading styled complaint, merely mentioning the patent and the accusation that the defendant infringed. As of that date, consistent with the Supreme Court’s decision in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007), the plaintiff’s complaint must satisfy the Supreme Court’s “plausibility” pleading standard which, in a patent case, requires identification of the patent, relevant claims, the accused product or service, and how the accused product or service infringes the claims. In view of this action by the courts, it is no longer necessary for legislation to address notice pleading as a factor in curbing patent litigation abuse.

Moreover, a primary concern regarding proposed changes to pleadings, discovery, fees and other patent reform proposals is that they would override the congressionally established system under which the federal courts develop rules of procedure and case management for all litigation. Instead, those proposals would, by legislative fiat, establish separate rules applicable only in patent cases. The Section prefers an emphasis on providing guidance to the Judicial Conference and district courts, rather than statutory mandates. The recent change to patent complaints demonstrates how well the system works when we allow the courts to address concerns within their power to tackle.

IV. **Copyright Office Modernization and Use of Works**

a. **The Register of Copyrights**

A few weeks after being sworn in as the Librarian of Congress, Dr. Carla Hayden abruptly removed Maria Pallante from her role as the Register of Copyrights. This unprecedented development highlights the need for renewed Congressional oversight of the Copyright Office and, more importantly, consideration of autonomy from the Library. The Copyright Office needs sufficient independence to balance the interests of multiple stakeholders, including the Library of Congress, and to advise both the President and Congress on matters that concern both creators of original works of authorship and users of the services provided by the Office.
b. Copyright Office Resources and Autonomy

The Section believes that the Copyright Office must have adequate resources to create a 21st Century Copyright Office. This includes authority to, among other things, (1) develop and implement its own information technology system to serve the needs of the Copyright Office and the public for speed and flexibility, (2) a budget to support modernization, and (3) a budget process that allows the Copyright Office to make its own budget requests and carry over funds for capital expenditures from year to year. With these resources, the Copyright Office will be able to achieve the goals of a robust and up-to-date recordation system that promotes the licensing of creative works, as well as access to information about those works for the public’s benefit. In particular, the Copyright Office should have the resources to reengineer the recordation process from top to bottom so that recordation materials may be submitted electronically and processed quickly, and recordation materials can be linked in the database to the related registration information.

c. Copyright Small Claims Tribunal

The Section also supports the creation of a copyright small claims tribunal and believes that the Copyright Office should be empowered to make rules governing the procedures by which the tribunal would operate, including to set fees and prevent abuse of the tribunal.

V. PTO Improvements

a. Vesting PTO with Permanent Fee Setting Authority

The Section supports granting the PTO permanent fee setting authority. Section 10(i) of the Leahy-Smith America Invents Act (“AIA”) vests the PTO with fee setting authority, but it also provides that the authority sunsets after seven years. Because the AIA was enacted in 2011, the PTO’s fee setting authority is set to expire in 2018. Prior to the enactment of the AIA, the Section opposed vesting the PTO with fee setting authority for fear that the fees would be increased and additional funds diverted to other expenses. The Section also had concerns that the PTO would set fees in a punitive manner to discourage applicants from exercising certain rights. Those concerns, while valid at the time, have not been realized. Thus, with proper Congressional oversight, the Section supports permanently granting the PTO fee setting authority.

b. PTAB Rules and Claim Construction

Since its inception, the PTO’s Patent Trial and Appeal Board (“PTAB”) has been invalidating patents at a high rate. In fact, in some circles the PTAB has become known as the “Patent Death Squad.” In 2014, the PTAB invalidated all instituted claims in 69 percent of IPR proceedings, and at a rate of 75 percent in 2015.

Part of the reason for the PTAB’s high invalidation rate may be that the PTAB invalidates patents based on a lower standard than required of district courts. Also, the PTO has exercised the discretion provided it in the AIA to interpret claims in PTAB proceedings under the “broadest reasonable interpretation,” or “BRI,” claim construction method. District courts use the stricter “plain meaning” or “Phillips” standard for claim interpretation when deciding whether to invalidate a patent. As a result, the PTAB is more likely to invalidate patent claims than a district court faced with the same arguments.
The Section believes that the PTAB should apply a *Phillips* construction in every proceeding in which there is no reasonable opportunity to amend the claims. *See Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). The PTO argues that because an applicant is entitled to amend their claims, it needs to apply the broader standard. But, under its current rules, the PTAB, rarely grants patent owners requests to amend claims. As of April 30, 2016, the PTAB denied 95% of all requests (112/118 cases) of patent owners to amend their claims. In contrast to inter partes reexamination, where a patent owner has the right to offer any number of new claims so long as they are no broader than the patented claims, in post grant proceedings the patent owner must explain to the PTAB’s satisfaction why each of the new claims is patentable over all prior art of record. Thus, current PTAB rules do not provide patent owners with a reasonable opportunity to amend, as evidenced by the fact that in only a very few of these trials has the PTAB granted requests to amend. Accordingly, the Section believes that the PTO should adopt the *Phillips* approach to claim construction in AIA trial proceedings.

c.  **Shared Services**

The Section has significant concerns regarding the PTO’s consideration of the Department of Commerce’s shared services initiative, first announced by Undersecretary Lee at the August 20, 2015, Patent Public Advisory Committee meeting. The PTO is funded through the payment of user fees paid by patent and trademark owners. The AIA requires that all user fees collected by the PTO be applied toward the expenses incurred by the PTO. 35 U.S.C. § 42(c). The Section strongly opposes diversion of PTO user fees to entities outside of the PTO and shouldering patent and trademark owners with the expenses of other Commerce Department entities. The Section believes that, if implemented, the initiative would violate the express requirements of the AIA by substantially risking the diversion of funding away from core PTO activities.

d.  **Proposed Expungement Mechanisms to Improve Accuracy of U.S. Trademark Register**

The Section supports the PTO’s goal of assessing and promoting the accuracy and integrity of the trademark register through the use of expungement mechanisms to expunge unused goods and services from trademark registrations. The Section’s concern with this proposal is the potential for abuse. In particular, the Section notes that the current proposal does not have a minimal standing requirement for a party requesting expungement. The Section believes an appropriate expungement mechanism would include additional measures to prevent a malicious party from abusing the system.

VI. **Limiting IP Grabs by the DoD in Government Contracts**

The government’s rights to use and share technology developed by its contractors should be dependent on whether and to what extent a government agency paid for its development as well as the government’s legitimate need to continue to use and repair items it buys. That is not, however, how contracts are being negotiated by the government at the present time. The government-- the DoD in particular-- has established policies and practices which attempt to leverage the government’s unquestionable negotiating power to procure more expansive IP rights than the government needs or is entitled to under the laws.

While the government should save costs and improve procurement, the DoD’s open system approaches towards existing products are an attempt to take intellectual property even where the government did not pay for its development. For many years, government procurement officials have been instructing
their contracting officials to force contractors to surrender all of their IP rights, using code words like “leverage data rights for the life cycle” and “break vendor lock.”

Unfortunately, the government’s overreach of IP rights is not only harming the ability of contractors to use their IP rights to pursue legitimate business opportunities, but it is providing no economic benefits to the government and the competitive marketplace. As the Aerospace Industries Association recently noted, “DoD policies advocating for broad IP rights to privately developed technologies are fundamentally incompatible with corporate business strategies and dissuade private investment.” This IP rights grab is such a significant threat to industry that commentators recognize that “concerns about the intellectual property rights regime for federal contracts discourages truly innovative companies and individuals from working with DoD.” As even the DoD noted in 2001, “[o]ften companies will not consider jeopardizing their vested IP to comply with the Government contract clauses that have remained in use since the days when DoD was the technology leader and frequent funder of research programs.”