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Senate

The Senate met at 10 a.m. and was called to order by the Honorable JEANNE SHAHEEN, a Senator from the State of New Hampshire.

PRAYER

The Chaplain, Dr. Barry C. Black, offered the following prayer:

Let us pray.

O God of time and eternity, we come to You not because we are perfect but because we trust Your mercy and kindness. By Your grace, we are able to triumph over evil, living no longer for ourselves alone but for You. Give our Senators a vision of the goals that produce righteousness, honor, justice, understanding, and peace. Empower them to serve the less fortunate, to bear the burdens of freedom, and to labor for Your glory. Lord, help them to know the constancy of Your presence, to give primacy to prayer as they work. Give them the gifts of Your light and love.

We pray in Your merciful Name. Amen.

PLEDGE OF ALLEGIANCE

The Honorable JEANNE SHAHEEN led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. INOUYE).

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, March 1, 2011.

To the Senate:

Under the provisions of rule I, paragraph 3, of the Standing Rules of the Senate, I hereby appoint the Honorable JEANNE SHAHEEN, a Senator from the State of New Hampshire, to perform the duties of the Chair.

DANIEL K. INOUYE,
President pro tempore.

Mrs. SHAHEEN thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The majority leader is recognized.

SCHEDULE

Mr. REID. Madam President, following any leader remarks, there will be a period of morning business for an hour. Senators will be permitted to speak for up to 10 minutes each during that period of time. The majority will control the first 30 minutes and the Republicans will control the final 30 minutes. Following morning business, the Senate will resume consideration of S. 23, the patent reform bill. The Senate will recess from 12:30 until 2:15 to allow for our weekly caucus meetings. Senators should expect rollcall votes in relation to amendments to the patent reform bill throughout the day.

ORDER OF PROCEDURE

I ask unanimous consent that Senator TOOMEY of Pennsylvania be permitted to speak as in morning business at 2:15 p.m. today for up to 15 minutes in order to deliver his maiden speech in the Senate.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

MEASURE PLACED ON THE CALENDAR—H.R. 1

Mr. REID. Madam President, I understand that H.R. 1 is due for a second reading.

The ACTING PRESIDENT pro tempore. The clerk will read the bill for the second time.

The assistant legislative clerk read as follows:

A bill (H.R. 1) making appropriations for the Department of Defense and other departments and agencies of the Government for the fiscal year ending September 30, 2011, and for other purposes.

Mr. REID. I object to any further proceedings on H.R. 1 at this time.

The ACTING PRESIDENT pro tempore. Objection having been heard, the bill will be placed on the calendar.

ISSUES OF THE DAY

Mr. REID. Madam President, we have before us today an extremely important piece of legislation. It is called the America Invents Act of 2011. The reason I emphasize 2011 is because it has been almost 60 years since we had the last meaningful reforms of the Nation's patent system. We have tried on many occasions in recent years to get this bill on the Senate floor. The Judiciary Committee has reported out a number of bills over the years, and we have taken no action here on the Senate floor for a number of reasons. But it is now on the floor. There are a couple of issues to which our attention will be directed.

I have received calls from a number of Senators who have amendments they want to offer that are in relation to this bill, only two of which I think are really meaningful, but I am sure there are others. I hope we can move through this. One of the first amendments filed is one that has nothing to do with patent reform, and we will dispose of that.

I think it is important to understand that this bill, if we do it right, will create millions of jobs. Some estimates suggest literally millions of new jobs could be created through this reform. Not every patent creates a job or generates economic value. Some are worth

Benjamin Franklin used to say: He will cheat without scruple who can without fear. I think the congressional corollary to that might be that Congress, which can continue to engage in perpetual deficit spending, will continue to do so unless or until they are held accountable by the people or required by that Congress to put itself in a straightjacket. That is the straightjacket we need. That is why I am proposing this amendment so, at a minimum, before this patent reform legislation, which I support wholeheartedly, moves forward, we can all agree as Members of this body that we need a constitutional amendment to keep us from doing what is slowly killing the economy of the United States and gradually mounting a severe challenge, an existential threat to every Federal program that currently exists.

I invite each of my colleagues to vote for and support this amendment and to support S.J. Res. 5, a constitutional amendment I have proposed that would put Congress in this type of straitjacket.

Here is, in essence, what S.J. Res. 5 says: If adopted by Congress by the requisite two-thirds margins in both Houses and approved by the States, three-fourths of them as required by article V of the Constitution, it would tell Congress it may not spend more than it receives in a given year, it may not spend more than 18 percent of GDP in a year, it may not raise taxes, and it may not raise the national debt ceiling without a two-thirds supermajority vote in both Houses of Congress. That is the kind of permanent binding constitutional measure I think we need in order to protect the government programs we value so highly and upon which 300 million Americans have come to depend, in one way or another.

I urge each of my colleagues to support this amendment and to support S.J. Res. 5.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant editor of the Daily Digest proceeded to call the roll.

Mr. KYL. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KYL. Mr. President, I rise today to speak on the Patent Reform Act of 2011, which I understand will be retitled as the ''America Invents Act.''

When this bill was marked up in the Judiciary Committee in 2007 and again in 2009, I voted against it, and I submitted minority views to the committee report for the bill. In the 2009 committee report, Senators Russ Feingold and TOM COBURN joined me in identifying a set of issues that we felt needed to be addressed before the bill was ready for consideration by the full Senate. Chief among these were concerns about the bill's system of postissuance administrative review of patents. Senior career staff at the Patent Office had expressed deep misgivings about the office's ability to administer this system. In response, at the conclusion of the 2009 mark up, Chairman LEAHY pledged to invite the Patent Office to work with the committee to address these concerns and to try to develop a system that the office would be able to administer.

Chairman LEAHY carried through on his pledge and held those meetings later that year. As a result, important changes were made to the bill, eventually resulting in a managers' amendment that was announced in 2010 by Chairman LEAHY and then-Ranking Member SESSIONS. The 2010 managers' amendment, which is also the basis of the present bill, substantially addressed all of the concerns that Senators Feingold and COBURN and I raised in the 2009 Minority Report. As a result, I became a cosponsor of that amendment, and am proud to cosponsor and support the bill that is before us today.

I will take a few moments today to describe the key changes that led to the 2010 breakthrough on this bill. But first, I would like to address an important aspect of the bill that has recently become the subject of some controversy. This is the bill's change to a first-inventor-to-file patent system.

About two-thirds of the present bill has never been controversial and has been included in all of the various iterations of this bill ever since the first patent reform act was introduced in 2005 by Mr. LAMAR SMITH, who was then the chairman of the House Intellectual Property Subcommittee. Mr. SMITH's 2005 bill, H.R. 2795, included the following proposals: it switched the United States from a first-to-invent patent system to a first-inventor-to-file system. The Smith bill enacted chapter 32 of title 35, creating a first-window, post-grant opposition procedure. It authorized third parties to submit and explain relevant prior art to the Patent Office with respect to an application before a patent is issued. The Smith bill amended the inventor's oath, and expanded the rights of assignees to prosecute a patent application under section 118. And it also eliminated subjective elements from the patent code, and included the first proposal for creating derivation proceedings. All of these elements of Mr. SMITH's original 2005 bill are retained in the bill that is before us today, and are, in fact, the most important parts of the bill. And, until recently, these provisions had not proven controversial.

After the announcement of the 2010 managers' amendment, however, members of the Judiciary Committee began to hear more from critics of the bill's move to a first-to-file system. Under current law's first-to-invent system, a patent applicant or owner has priority against other patents or applications, or against invalidating prior art, if he conceived of his invention before the other inventor conceived of his invention or before the prior art was disclosed. Under the first-to-file system, by contrast, the same priority is determined by when the application for patent was filed. Whichever inventor files first has priority, and third-party prior art is measured against the filing date, and is invalidating if it disclosed the invention before the date when the application was filed, rather than the date when the invention was conceived.

In commentary that was published on Sunday, February 27, Mr. Gene Quinn, the writer of the IP Watchdog Web site, made some worthy points about the present bill's proposed move to a first-to-file system. Responding to critics of first to file, Mr. Quinn first noted that: in practical effect, we already have a first inventor to file system. For example, since the start of fiscal year 2005 on October 1, 2004, there have been over 2.9 million patent applications filed and only 502 Interferences decided. An Interference Proceeding occurs when multiple inventors file an application claiming the same invention, and is the hallmark of a first to invent system . . . . On top of the paltry 502 Interferences over nearly 7 years, a grand total of 1 independent inventor managed to demonstrate they were the first to invent, and a grand total of 35 small entities were even involved in an Interference.

In other words, as Mr. Quinn notes, although the first-to-invent system is supposed to help the little guy, over the last seven years, only one independent inventor has managed to win an interference contest and secure the benefits of the first to invent system. And again, this is out of nearly 3 million patent applications filed over this period.

Mr. Quinn's comments also debunk the notion that an interference proceeding is a viable means of securing first-to-invent rights for independent and other small inventors. He notes that:

> On top of this, the independent inventors and small entities, those typically viewed as benefiting from the current first to invent system, realistically could never benefit from such a system. To prevail as the first to invent and second to file, you must prevail in an Interference proceeding, and according to 2005 data from the AIPLA, the average cost through an interference is over $600,000. So let's not kid ourselves, the first to invent system cannot be used by independent inventors in any real, logical or intellectually honest way, as supported by the reality of the numbers above. . . . [F]irst to invent is largely a ''feel good'' approach to patents where the underdog at least has a chance, if they happen to have $600,000 in disposable income to invest on the crap-shoot that is an Interference proceeding.

Obviously, the parties that are likely to take advantage of a system that costs more than half a million dollars to utilize are not likely to be small and independent inventors. Indeed, it is typically major corporations that invoke and prevail in interference proceedings. The very cost of the proceeding alone effectively ensures that

it is these larger parties that benefit from this system. In many cases, small inventors such as start ups and universities simply cannot afford to participate in an interference, and they surrender their rights once a well-funded party starts such a proceeding.

Mr. Quinn's article also responded to critics who allege that the present bill eliminates the grace period for patent applications. The grace period is the one-year period prior to filing when the inventor may disclose his invention without giving up his right to patent. Mr. Quinn quotes the very language of this bill, and draws the obvious conclusion:

> Regardless of the disinformation that is widespread, the currently proposed S. 23 does, in fact, have a grace period. The grace period would be quite different than what we have now and would not extend to all third party activities, but many of the horror stories say that if someone learns of your invention from you and beats you to the Patent Office, they will get the patent. That is simply flat wrong.

Mr. Quinn is, of course, referring to the bill's proposed section 102(b). Under paragraph (1)(A) of that section, disclosures made by the inventor, or someone who got the information from the inventor, less than 1 year before the application is filed do not count as prior art. And under paragraph (1)(B), during the 1-year period before the application is filed, if the inventor publicly discloses his invention, no subsequently disclosed prior art, regardless of whether it is derived from the inventor, can count as prior art and invalidate the patent. This effectively creates a ''first to publish'' rule that protects those inventors who choose to disclose their invention. An inventor who publishes his invention, or discloses it at a trade show or academic conference, or otherwise makes it publicly available, has an absolute right to priority if he files an application within one year of his disclosure. No application effectively filed after his disclosure, and no prior art disclosed after his disclosure, can defeat his application for patent.

These rules are highly protective of inventors, especially those who share their inventions with the interested public but still file a patent application within a year. These rules are also clear, objective, and transparent. They create unambiguous guidelines for inventors. An inventor who wishes to keep his invention secret must file an application promptly, before another person discloses the invention to the public. And an inventor can also share his invention with others. If his activities make the invention publicly available, he must file an application within a year, but his disclosures also prevents any subsequently disclosed prior art from taking away his right to patent. The bill's proposed section 102 also creates clear guidelines for those who practice in a technology. To figure out if a patent is valid against prior art, all that a manufacturer needs to do is look at the patent's filing date and figure out whether the inventor publicly disclosed the invention. If prior art disclosed the invention to the public before the filing date, or if the inventor disclosed the invention within a year of filing but the prior art predates that disclosure, then the invention is invalid. And if not, the patent is valid against a prior-art challenge.

Some critics of the first-to-file system also argue that it will be expensive for inventors because they will be forced to rush to file a completed application, rather than being able to rely on their invention date and take their time to complete an application. These critics generally ignore the possibility of filing a provisional application, which requires only a written description of the invention and how to make it. Once a provisional application is filed, the inventor has a year to file a completed application. Currently, filing a provisional application costs $220 for a large entity, and $110 for a small entity.

One of Mr. Quinn's earlier columns, on November 7, 2009, effectively rebuts the notion that relying on invention dates offers inventors any substantial advantage over simply filing a provisional application. As he notes:

> If you rely on first to invent and are operating at all responsibly you are keeping an invention notebook that will meet evidentiary burdens if and when it is necessary to demonstrate conception prior to the conception of the party who was first to file. . . .
>
> [Y]our invention notebook or invention record will detail, describe, identify and date conception so that others skilled in the art will be able to look at the notebook/record and understand what you did, what you knew, and come to the believe that you did in fact appreciate what you had. If you have this, you have provable conception. If you have provable and identifiable conception, you also have a disclosure that informs and supports the invention. . . . [And] [i]f the notebook provably demonstrates conception, then it can be filed as a provisional patent application at least for the purpose of staking a claim to the conception that is detailed with enough specificity to later support an argument in a first to invent regime.

In other words, the showing that an inventor must make in a provisional application is effectively the same showing that he would have to make to prove his invention date under the first-to-invent system. A small inventor operating under first-to-invent rules already must keep independently-validated notebooks that show when he conceived of his invention. Under first-to-file rules, the only additional steps that the same inventor must take are writing down the same things that his notebooks are supposed to prove filing that writing with the Patent Office, and paying a $110 fee.

Once the possibility of filing a provisional application is considered, along with this bill's enhanced grace period, it should be clear that the first-to-file system will not be at all onerous for small inventors. And once one considers the bill's clean, clear rules for prior art and priority dates, its elimination of subjective elements in patent law, its new proceeding to correct patents, and its elimination of current patent-forfeiture pitfalls that trap legally unwary inventors, it is clear that this bill will benefit inventors both large and small.

Allow me to also take a moment to briefly describe the concerns that Senators Feingold and COBURN and I raised in our 2009 Minority Report, and how the present bill addresses those concerns.

Senators Feingold and COBURN and I proposed that the bill impose a higher threshold showing for instituting an inter partes, or post-grant review. This had long been a top priority for the Patent Office, both under the previous administration and under the current one. The Patent Office made clear that a higher threshold is necessary to weed out marginal challenges and preserve the office's own resources, and that a higher threshold would also force parties to front-load their cases, allowing these proceedings to be resolved more quickly. The present bill imposes higher thresholds, requiring a reasonable likelihood of invalidity for inter partes review, and more-likely-than-not invalidity for post-grant review.

Senators Feingold and COBURN and I also recommended that the Patent Office be allowed to operate inter partes reexamination as an adjudicative proceeding, where the burden of proof is on the challenger and the office simply decides whether the challenger has met his burden. The present bill makes this change, repealing requirements that inter partes be run on an examinational model and allowing the PTO to adopt an adjudicative model.

The 2009 Minority Report also recommended that the bill restrict serial administrative challenges to patents and require coordination of these proceedings with litigation. We also called for limiting use of ex parte reexamination to patent owners, noting that allowing three different avenues for administrative attack on patents invites serial challenges. The present bill does coordinate inter partes and post-grant review with litigation, barring use of these proceedings if the challenger seeks a declaratory judgment that a patent is invalid, and setting a time limit for seeking inter partes review if the petitioner or related parties is sued for infringement of the patent. The present bill does not, however, bar the use of ex parte reexamination by third parties. The Patent Office and others persuaded me that these proceedings operate reasonably well in most cases and are not an undue burden on patent owners. The present bill does, however, impose limits on serial challenges that will also restrict the use of ex parte reexamination. The bill's enhanced administrative estoppel will effectively bar a third party or related parties from invoking ex parte reexamination against a patent if that third party has already employed post-grant or inter partes review against that patent.

Also, the bill allows the Patent Office to reject any request for a proceeding, including a request for ex parte reexamination, if the same or substantially the same prior art or arguments previously were presented to the Office with respect to that patent.

Senators Feingold and COBURN and I also recommended that the PTO be allowed to delay implementation of post-grant review if the office lacks the resources to implement that new proceeding. The present bill includes a number of safeguards that are the product of discussions with the PTO. Among other things, the present bill authorizes a ramp-up period, allowing the office to limit the number of proceedings that can be implemented during the first 4 years after the new proceeding becomes effective.

The 2009 Minority Report also recommended that treble damages be preserved as a meaningful deterrent to willful or calculated infringement of a patent. The present bill does so, eliminating the restrictive three-buckets approach and broad safe harbors that appeared in the bill in 2009. The report also recommended that the bill remove subjective elements from patent law, such as the various deceptive-intent elements throughout the code and the patent-forfeiture doctrines. The present bill effectively makes both changes. In fact, the 2007 bill had already been modified in mark up to eliminate the patent forfeiture doctrines, a point elucidated in that year's committee report and confirmed by a review of the relevant caselaw.

This last point should also help address a question that Mr. Quinn raised in his column on Sunday regarding proposed section 102(b)'s use of the word "disclosure," and whether it covers public use or sale activities of the inventor. I would have thought that the meaning of the word would be clear: a disclosure is something that makes the invention available to the public—the same test applied by section 102(a) to define the scope of relevant prior art. And "available to the public" means the same thing that "publicly accessible" does in the context of a publication. Subject matter makes an invention publicly accessible or available if an interested person who is skilled in the field could, through reasonable diligence, find the subject matter and understand the invention from it. Obviously, Congress would not create a grace period that is narrower in scope than the relevant prior art. Thus for example, under this bill, any activity by the inventor that would constitute prior art under section 102(a)(1) would also invoke the grace period under section 102(b)(1). As a result, the inventor would be protected against his own activities so long as he files within a year, and under the bill's "first to publish" provisions, he would also be protected by any other person's disclosure of the invention, regardless of whether he could prove that the other person derived the invention from him.

The present bill is the product of almost a decade of hard work, including three Judiciary Committee mark ups, and the untold hours of work by Mr. SMITH and other members of the House of Representatives that led to the introduction of the Patent Reform Act of 2005, the foundation of today's bill. This is a bill that will protect our heritage of innovation while updating the patent system for the current century. It will fix problems with current administrative proceedings, create new means for improving patent quality, and will generally move us toward a patent system that is objective, transparent, clear, and fair to all parties. I look forward to the Senate's passage of this bill and its enactment into law.

I ask unanimous consent that Mr. Gene Quinn's columns of February 27, 2011, and November 7, 2009, with corrections of a few typos and enhancements of punctuation, be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SENATE TO VOTE ON PATENT REFORM, FIRST TO FILE FIGHT LOOMS

(By Gene Quinn, President & Founder of IPWatchdog, Inc., Feb. 27, 2011)

It appears as if the time has finally arrived for an up or down vote on patent reform in the United States Senate. It has been widely reported that the full Senate will take up patent reform upon returning from recess this week, and it is now believed by many on the inside that the Senate will take up patent reform on Monday, February 28, 2011, the first day back. Some are even anticipating that the Senate will vote on patent reform bill S. 23 late in the day on Monday, February 28, 2011. See "Crunch Time: Call Your Senators on Patent Reform." That would seem exceptionally quick, particularly given the rancorous issues and Amendments still to be presented, but nothing will surprise me.

As we get closer to a vote in the Senate the rhetoric of those for and against patent reform is heating up to a fever pitch. The big fight, once again, is over first to file, with battle lines drawn that run extremely deep. Senator Diane Feinstein (D–CA) is expected to file an Amendment stripping the first to file provisions, which could be supported by Senate Majority Leader Harry Reid (D–NV).

Before tackling the first to file issue I would like to point out that regardless of whether first to file is supported or opposed, everyone, and I do mean everyone, unanimously agrees that the USPTO should be allowed to keep the fees it collects to reinvest in the agency and to do the work promised. An overwhelming majority also seem to support giving the USPTO fee setting authority. Fee setting authority is present in S. 23 (see Section 9) and Senator Tom Coburn plans to introduce an Amendment that would once and for all eliminate fee diversion and let the USPTO keep the fees it collects. So while there is argument about first to file, hopefully we won't lose sight of the fact that most everyone is on the same team relating to fixing the USPTO.

With respect to first to file, in practical effect, we already have a first inventor to file system. For example, since the start of fiscal year 2005 on October 1, 2004, there have been over 2.9 million patent applications filed and only 502 Interferences decided. An Interference Proceeding occurs when multiple inventors file an application claiming the same invention, and is the hallmark of a first to invent system because it is possible in the United States to file a patent application second and then be awarded the patent if the second to file can demonstrate they were the first to invent. On top of the paltry 502 Interferences over nearly 7 years a grand total of 1 independent inventor managed to demonstrate they were the first to invent, and a grand total of 35 small entities were even involved in an Interference. A small entity can be an independent inventor, university, non-profit or a company with 500 or fewer employees. Thus, we have a de facto first to file system and the "first to invent" system that supposedly favors independent inventors is overwhelmingly dominated by large companies with over 500 employees. See chart below.

	2005	2006	2007	2008	2009	2010	2011*	Total
Filings	381797	417453	468330	496886	486499	509367	153997	2914329
Allowances	151077	162509	184376	182556	190122	233127	93390	1197157
Interferences decided	96	107	95	74	63	50	17	502
Junior party winners	18	15	21	25	14	17	3	113
Small entity winners	7	2	3	6	1	5	1	25
Independent Inventor winners	0	0	1	0	0	0	0	1
Small Entity losers	1	2	2	2	1	2	0	10

On top of this, the independent inventors and small entities, those typically viewed as benefiting from the current first to invent system, realistically could never benefit from such a system. To prevail as the first to invent and second to file you must prevail in an Interference proceeding, and according to 2005 data from the AIPLA the average cost through an interference is over $600,000. So let's not kid ourselves, the first to invent system cannot be used by independent inventors in any real, logical or intellectually honest way, as supported by the reality of the numbers above. So first to invent is largely a "feel good" approach to patents where the underdog at least has a chance, if they happen to have $600,000 in disposable income to invest on the crap-shoot that is an Interference proceeding.

I will acknowledge, however, that one of the best arguments I have seen against first to file was prepared by Hank Nothhaft, President & CEO of Tessera and a frequent contributor to IPWatchdog.com. In his op-ed in The Hill Hank concludes by asking: "Why risk that by weakening the incentives for startups?" As I can point to the fact that we have a de facto first to file system already, Hank and others can say—so why the need for change? I readily acknowledge that the small "c" conservative thing to do, which I normally promote, would be to do nothing