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Computer & Communications Industry Association

February 28, 2011

The United States Senate
U.S. Capitol
Washington, D.C. 20510

Re: CCIA Opposition to the Patent Reform Act of 2011 (S.23)

Dear Senator:

On behalf of the Computer & Communications Industry Association (CCIA), I write to voice our opposition to S.23, The Patent Reform Act of 2011. We previously voiced our opposition to the proposed Manager's Amendment to S.515 in April of last year.

Since much in S.23 remains unchanged from S.515 as amended last year, it is no less controversial and remains a source of disappointment to the tech sector. It is ironic that it was the concerns of our sector that drove the beginnings of the reform effort six years ago, and yet from our perspective S.23 would leave our industries worse off than before.

Enactment of problematic litigation-related provisions such as damages, venue, and inequitable conduct threaten to lock in statutory language that would be a step backward from current law and prevent evolutionary improvements on these issues that we've seen through the courts. In addition, *inter partes* reexamination provisions originally intended to improve the PTO's administrative procedures for challenging poor quality patents through reexamination will, as currently conceived in S.23, restrict opportunities to improve patent quality and avoid costly litigation.

We applaud the removal of the section on willful infringement, and we believe striking similarly harmful provisions would be the right path forward. We were also deeply disappointed to see the bill take on tax planning patents in an oblique manner without the benefit of a hearing.

In the course of the mark-up session for S.23, several senators spoke critically of business method patents. We applaud the committee's willingness to speak so bluntly against a broad swath of abstract patents that constrains competition, creates uncertainty, and departed so radically from the traditional technology roots of the patent system. Yet by prospectively singling out a particular sub-type of legal compliance patents, the bill invites the courts to conclude that Congress is thus endorsing all *other* legal compliance patents, including all tax planning patents issued to date. In fact, the provision could be read as an implicit endorsement

of all patents on "business methods" as that term is broadly understood. Sadly, we have a precedent for this: Just last year, in declining to reinstate the traditional categorical exclusion of business method patents in *Bilski v. Kappos*, the Supreme Court pointed squarely to the enactment of Section 273 of the Patent Act in 1999, in which Congress created limited prior user rights but only for "methods of doing business." We detailed our concerns about this approach to tax planning patents in a letter to Senators Leahy and Kyl prior to the mark-up, which is available on our website.

Even the move to first-to-file which appears to make eminent sense in the interests of global harmonization poses a real danger since S.23 lacks the prior user rights that commonly mitigate the race to the patent office under first-to-file. The opportunity to use trivial patents for hold up will cause applications to swell, just as the need to file first will spur a rush of half-baked applications. The result will not only add greatly to the overpatenting that already exists in our sector, but it will add immeasurably the backlog that already burdens the USPTO.

No hearings have been held on S.23, nor were any held on last year's Manager's Amendment. At this point, we believe that the best course of action is to strip the controversial parts of the bill and to focus on addressing the real needs and capacity of the USPTO – where it is clear that action is needed now.

Sincerely,

Edward J. Black
President & CEO
Computer & Communications Industry Association