

Before the
Department of Commerce
U.S. Patent & Trademark Office
Alexandria, Virginia

In re

Request for Comments on International
Efforts to Harmonize Substantive
Requirements of Patent Law

Docket No. PTO-C-2007-0018

COMMENTS OF
COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION

[Numbering follows instructions on list of topics in the notice of request for public comments dated April 26, 2007, and appearing in Vol. 72, No. 85 of Federal Register on May 3, 2007.]

8. Prior User Rights

We believe that any effort to harmonize the scope of prior user rights would be premature in light of the present crisis in patent quality and the need for flexibility to determine how best to handle it. The “prior user” problem is a consequence of independent invention – i.e., the likelihood that the same invention will be created by multiple inventors who are not aware of each other’s work. The more frequently this happens, the greater the economic loss to those who are not the first to file. The greater the number of independent inventors, the more the private losses will outweigh the private benefit to the first patent applicant – and the greater the likelihood that the patent incentive was not needed to begin with.

Testimony presented at the 2002 FTC/DoJ hearings on patents and competition makes clear that independent invention is commonplace in the IT sector, and that this frequently leads to inadvertent infringement. Peter Detkin (then at Intel, now at Intellectual Ventures) testified:

There's only a certain amount of ways that you can connect transistors together in new, unique and nonobvious ways, and people are tripping over each other's patents right and left.... Moore's Law, as with everything else in our industry, is even more important. What that really means is that if you think you're tripping over people's patents today, just wait.

The problem of inadvertent infringement can be met in one of two ways. The first is by substantially improving the quality of patents. This can be achieved better searching for prior art, by raising the standard of nonobviousness, and by reducing the ambiguity of claims language. However, better searching for prior art is a costly and elusive approach that has been advanced for many years without measurable progress. Improving claims language is no less problematic, especially given the Federal Circuit's predilection for de novo review of claims interpretation. Furthermore, both of these approaches are especially challenging for abstract subject matter such as software and business methods, which can be described in many different ways. We favor raising the standard of nonobviousness, although we recognize that it will be difficult to marshal the political will to do so.

The second option for addressing the inadvertent problem is by limiting infringement. At present, there is no defense of "innocent infringement" in patent law, except for the prior user rights provision enacted in 1999. The proposed reform legislation (H.R. 1908 and S. 1145) would expand this provision to cover any commercial use or substantial preparation for commercial use prior to the filing date. The expanded provision would be

restyled as an “earlier inventor” defense. It would be preferable to permit any independent invention prior to the *publication* date, as that is when the public can be constructively put on notice of the invention. Of course, an even stronger version of the defense is available under copyright, where independent creation can take place at any time.

Concerns about economic efficiency, fundamental fairness, and preserving property expectations in original work all argue for recognizing the merit of independent invention. In fact, several economists and legal scholars have recently called for some greater form of independent invention defense. See: Carl Shapiro, Patent Reform: Aligning Reward and Contribution, May 2007, available at <http://faculty.haas.berkeley.edu/shapiro/align.pdf>; Samuel Vermont, Independent Invention as a Defense to Patent Infringement, Michigan Law Review, Vol. 105, No. 3, pp. 475-504, December 2006, available at SSRN: <http://ssrn.com/abstract=903521>; Stephen M. Maurer and Suzanne Scotchmer, "The Independent Invention Defence in Intellectual Property" . *Economica*, Vol. 69, pp. 535-547, 2002, available at http://socrates.berkeley.edu/~scotch/ind_inv.pdf

We find considerable interest in accommodating independent invention among software companies and professionals, who are comfortable with the principles of copyright. Unfortunately, this is an area where the perspectives of IT and other industries, for example, pharmaceuticals, may well diverge. We suspect that independent invention is much less likely in pharmaceuticals and acknowledge that an independent invention defense there may be viewed with disfavor.

Nonetheless, a patent system that promotes massive inadvertent infringement in IT to the benefit of other sectors is inherently discriminatory. This problem must be addressed squarely at both national and international levels before any movement is made to harmonize the scope of prior user rights.

10. Eighteen-Month Publication of Patent Applications

CCIA strongly supports the elimination of special treatment for U.S.-only applications. Transparency in the operation of the patent system is an essential goal – especially to restore confidence and patent quality. Transparency should not be sacrificed to preserve secrecy and strategic advantage.

Other Comments

As noted above, the inventive step/nonobviousness standard is closely related to possible solutions to the patent quality problem. We believe that both the formulation and interpretation of the standard need considerably more attention before efforts are made to lock the world into any particular level of this standard.

The standard is in ferment in the U.S., although there are differences of perspective as to whether problem lies in application, interpretation, or the statute. The recent decision in *KSR v. Teleflex* requires the Federal Circuit to abandon its mechanical application of the teaching-suggestion-motivation test. The National Academy study calls for “reinvigoration” of the nonobviousness standard. Clearly much needs to be done to address the patent quality and overpatenting problems in IT.

In the long run it is essential for the patent system to converge on an appropriate form of peer review, rather than a statutory presumption of entitlement. If the “B+ group” of developed countries are intent on addressing the inventive step/nonobviousness standard, they should plan to look at this problem objectively, in depth, and with due regard for practical economic consequences. There should be no attempt to fix the standard prematurely.

Respectfully submitted,

Edward J. Black

President & CEO

Computer & Communications
Industry Association (CCIA)
900 17th Street, NW
Suite 1100
Washington, D.C. 2006
Ph: 202-783-0070
eblack@ccianet.org

Dated: June 22, 2007