



U.S. House of Representatives
Washington, DC 20515

June 20, 2011

Dear Representative:

Our organizations represent America's new jobs creators – the *small businesses, start-up entrepreneurs, independent inventors, and technical professionals* employed by companies of all sizes. We write in strong support of the Amendment to H.R. 1249 introduced by Congressmen John Conyers, James Sensenbrenner and Don Manzullo¹ that will stop the diversion of patent fee revenue to the general Treasury.

We have long voiced our view that patent reforms must focus on properly funding the U.S. Patent and Trademark Office (PTO) and not on other controversial and harmful provisions that would create legal uncertainties for years to come. Permitting the PTO to retain its fees subject to Congressional oversight will allow the agency to hire more examiners, reform its internal procedures, and modernize its information technology infrastructure to reduce the massive backlog of pending patent applications and improve the quality of examination. That is the real patent reform that America needs.

Moreover, we support the Conyers/Sensenbrenner/Manzullo Amendment because it permits Congress to retain its control and oversight over fees charged by the PTO, ensuring enhanced accountability and transparency. The Amendment does so by removing Section 10, which would otherwise grant the PTO broad authority to set fees based on no guidance or policy constraints except the PTO's opaque and unknown interpretations of "aggregate costs". Such authority would exceed the PTO's institutional mandate and competence.

¹ Amendment #20 by John Conyers, James Sensenbrenner and Don Manzullo, June 13, 2011. Available at http://www.rules.house.gov/amendments/CONYER_049_xml613111824182418.pdf . (Would strike the entire bill except Section 2, Section 22 and Section 31).

The PTO is not a neutral, disinterested party in fee-setting; it has a prima facie conflict of interest because of its direct administrative stake in the outcome. PTO's prior record raises concerns that Section 10 would allow the PTO to meet "the aggregate estimated costs to the Office" constraint while *skewing* fees among various components to serve its administrative convenience of suppressing incoming workload. Fee apportionment necessarily affects important public policy questions and must be reserved by Congress.

We also urge you to oppose the Managers' Amendment² that would establish a 15% surcharge on all current PTO fees and give the PTO the authority to raise the examination fee from \$220 to \$5,020 in a new prioritized examination track. This would divert scarce resources away from the standard examination track and provide yet another bailout for large corporations that can afford to pay a king's ransom to escape PTO "backlog purgatory." Rather, Congress should address the PTO backlog problem more broadly by returning to PTO at least a portion of the \$0.7 billion of fees *already paid* on applications in the backlog *awaiting examination*. This would be a much fairer solution, permitting the PTO to address pendency for *all* applicants – not only for a few with deeper pockets.

Neither of these proposed changes is supported by an objective financial analysis showing that it is justified based on actual PTO costs. The 15% fixed increase to all applicants and existing patentees is clearly arbitrary, while the 22-fold higher fee for prioritized examination is transparently discriminatory against small firms and independent inventors. We would support reasonable fee increases but Congress should insist that all fee increases be based on objective financial analysis and projections persuasively demonstrating that they are justified by PTO's actual costs.

Finally, we turn your attention to a major legal flaw in H.R. 1249 which indicates lack of adequate forethought in drafting and amending this bill. Owing to substantial spread in examination timing across examiner workgroups at PTO, a later-filed application can be issued well before an earlier-filed prior-art application reaches an examiner's desk for examination. With no effective legal recourse available to the first-filer of the pending application for removing the later-filed issued patent, the second-filer would end up with a valid patent, solely due to PTO administrative delay variations. This result is in direct contradiction to H.R. 1249's stated purpose of awarding patents to the first-inventor-to-file.

These concerns are explained in further detail in a supplement to this letter available online at <http://j.mp/SB-Objection>. We thank you for your attention and urge you to vote in support of the Conyers/Sensenbrenner/Manzullo Amendment and oppose the Managers' Amendment in its current form.

Sincerely,

IEEE-USA
IP Advocate
National Association of Patent Practitioners

National Congress of Inventor Organizations
National Small Business Association
Professional Inventors Alliance USA

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² Amendment #15 by Lamar Smith, June 13, 2011. Available at <http://www.rules.house.gov/amendments/MgrAmdt613111816461646.pdf>

ABOUT OUR ORGANIZATIONS

IEEE-USA Institute of Electrical and Electronic Engineers

IEEE (the Institute for Electrical and Electronic Engineers) is the world's largest professional association of technology professionals. With 210,000 members, IEEE-USA's mission is to recommend policies and implement programs specifically intended to serve and benefit the members, the profession, and the public in the United States in appropriate professional areas of economic, ethical, legislative, social and technology policy concern.

<http://www.ieeeusa.org/policy/policy/2011/021511a.pdf>

IP Advocate

IP Advocate is a non-profit organization representing the academic research community. We educate our members in the complex flow of policy, law and procedure, and provide practical entrepreneurial advice for technology transfer and commercialization of intellectual property.

www.ipadvocate.org

<http://www.ipadvocate.org/mibj/index.cfm>

National Association of Patent Practitioners

The *National Association of Patent Practitioners* (NAPP) is a professional organization of patent practitioners, that is people who assist inventors and small businesses (and sometimes larger corporations) to obtain patents. NAPP members overwhelmingly believe in maintaining a strong US patent system that can produce strong patents to benefit emerging businesses. www.napp.org.

<https://www.napp.org/resources/NAPP-PartialOppTo2009SenateBill.pdf>

National Congress of Inventor Organizations

The *National Congress of Inventor Organizations* (NCIO) is an educational organization that provides independent inventors and entrepreneurs with resources, guidance, articles, and how-to information along the path to commercialization. NCIO also offers support through its web site and newsletter to entrepreneur and independent inventor groups. NCIO web sites attract 150,000+ unique visitors annually with an email broadcast outreach estimated at 10,000 per broadcast.

<http://www.nationalcongressofinventororganizations.org>

National Small Business Association

The *National Small Business Association* (NSBA) is a national nonprofit membership organization. Established in 1937 and reaching 150,000 small businesses across the nation, NSBA is proud to be the country's oldest, nonpartisan small-business advocacy organization.

www.nsba.biz

http://www.nsba.biz/docs/patent_reform.pdf

Professional Inventors Alliance USA

The *Professional Inventors Alliance USA* (PIAUSA) is a national organization promoting inventor-entrepreneur and small business interests since 1993. PIAUSA works to protect American invention and encourage innovation by providing the nation's independent inventors a united voice to improve public policy. www.piausa.org, <http://truereform.piausa.org>