



SUCCESS Act Oral Public Testimony at San Jose USPTO Satellite Office

Hearing June 2, 2019, Testimony by Britten Sessions<sup>1</sup>

Thank you for the opportunity to testify today in relation to the Success Act.

Director Iancu indicated that “our patent system is at a crossroads.”<sup>2</sup> I agree with this statement. Will we, as a nation and as a patent market, continue our legacy of building upon fundamental patent rights, or will we potentially remove such rights of patent owners.

The Success Act fits squarely into this focus of ensuring that we are continuing to build upon such patent rights by evaluating whether individuals and entities (with particular emphasis on women, veterans, and minorities) have effective access to the patent system.

This emphasis – effective access to the patent system – is also in alignment with many USPTO initiatives, namely the Pro Bono Patent Program and the Law School Clinic Certification Program. Both programs were introduced roughly in the 2008 timeframe, and both take a distinct and different approach to answering the essential question – how can the USPTO assist with providing greater resources to those that otherwise would be financially estopped from receiving such services.

The Pro Bono Patent Program “is a nationwide network of independently operated academic and nonprofit organizations that endeavor to match volunteer patent practitioners with financially under-resourced inventors seeking patent protection.”<sup>3</sup>

Additionally, my clinic, which is part of the Law School Certification Program, trains students who, in turn, provide patent services, under the guidance, mentoring, and ultimately, approval of a licensed practitioner, to those in our community.<sup>4</sup> It is a literal win-win situation where the students can get experience while they are students, and the community benefits from having high quality patent services without any legal expense. Over the years, it has been my experience that what the Success Act is

---

<sup>1</sup> Associate Dean of Intellectual Property, Founder/Director of IP Clinic, Lincoln Law School of San Jose

<sup>2</sup> Remarks by Director Andrei Iancu at U.S. Chamber of Commerce Patent Policy Conference, April 11, 2018, available at <https://www.uspto.gov/about-us/news-updates/remarks-director-andrei-iancu-us-chamber-commerce-patent-policy-conference>.

<sup>3</sup> See, e.g., Webpage, “Intellectual property legal assistance programs,” USPTO, available at <https://www.uspto.gov/learning-and-resources/patent-and-trademark-practitioners/intellectual-property-legal-assistance>.

<sup>4</sup> *Id.*

presently evaluating coincides with the types of people and entities – namely women, veterans, and minorities – that come to such USPTO approved clinics.

It is precisely therefore this perspective – my dealings, representation of, and interactions with – these types of inventors that I feel compelled to speak on behalf of today.

I've segmented my remarks into two main categories: 1) indications of success; and 2) actual feedback from inventors, including potential avenues for further development.

#### Indications of Success

The initiatives put forth by the USPTO I believe are assisting with improving effective access to the patent system. For example, with respect to the Pro Bono program, “[d]uring the first three quarters of FY 2018, the program assisted under-resourced inventors and small businesses in the filing of 205 patent applications, fielded 1,757 public inquiries, and matched 432 under-resourced inventors with qualified patent practitioners.”<sup>5</sup>

Additionally, with respect to the Clinic Program, over 875 patent applications have been filed since the beginning of the program, and for FY 2017 and FY 2018, there were over 4,100 clients engaged by clinics in the program.

Clearly, therefore, the numbers alone speak for themselves. These initiatives are providing services to those who generally would not otherwise receive such services.

In short, when I look over the impact that my little clinic alone has provided, I am not only encouraged by the number results alone, but also by the ways in which these inventors have literally been granted effective access to the patent system. Suffice it to say that the many thank you notes my clinic has received all indicate a similar theme – immense appreciation for the services we have provided, and relief that they finally found a financially viable channel to the patent system that could provide them with assistance.

All of this in my mind shows the success of these initiatives in that women, veterans, and minorities, are being granted more effective access to the patent system than before.

However, the universal adage that all things can be improved I believe applies to even our currently improving patent system as well.

#### Actual Feedback from Inventors and Avenues for Development

Rather than solely speak for inventors, I want to take give many of these individuals a chance to speak for themselves. To that end, at a recent inventor conference, I interviewed inventors (including some of my own clients of the Clinic), asking them what issues they are facing in today's patent market.

---

<sup>5</sup> USPTO, “FY 2018 Performance and Accountability Report,” page 109, available at [https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR\\_1.pdf](https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR_1.pdf).

Their frank responses, I've concluded, provide some of the best instruction on the issues these inventors face in today's patent market. I've organized their lengthy input globally into a few categories, followed by my recommendations on how to potentially resolve these issues.

*Category 1: My Patents Can Easily Die*

Quote 1:

"There is risk in working with a large company. If one goes and presents intellectual property to them, the company may look at it in a different way. For example, they may consider simply going ahead and infringing the rights, and then appealing it to the PTAB, which has a high chance of invalidating the patent."

Quote 2:

"Due to how easy patent invalidation has become, companies do not feel a need to license. Instead of licensing, it can be more economical to infringe and invalidate the patent."

It is startling to me to receive repeated feedback from many inventors that companies blatantly will disregard patent rights because "it is cheaper to kill a patent than take out a license for it." If patent owners cannot rely on the granted patent protection as a basis for protection, and if the risk for invalidation is high, then this causes the inventors to wonder why they went through the time and expense to even get a patent in the first place.

*Recommendation 1: Provide greater stability for 101*

The past seven years, at a minimum, has taught us that many are a bit confused on how to rule or deal with 101 issues and patents. The Supreme Court in the *Alice* decision left open much of the implementation of 101 construction to the courts, which subsequently, created a fragmented landscape with often conflicting opinions. The USPTO has repeatedly recognized this issue and sought to provide greater consistency of analysis relating to 101 by issuing several guidelines.<sup>6</sup> They even appointed individuals to eliminate inconsistencies in the interpretation and implementation of the *Alice* test among different branches of the USPTO. This is a monumental task – and one that, in my opinion, deserves some of our greatest attention. I applaud the USPTO for their attempts to rectify this issue.

However, USPTO guidance and policies do not extend to other courts, nor are the USPTO's recent guidelines a permanent fix (for example, the next Director may modify the current guidelines). Thus, in order to effect lasting change at not just the USPTO level, but nationwide in each PTAB hearing and federal court, Congress needs to come together to more fully implement rules that bring stability to a very volatile

---

<sup>6</sup> See, e.g., "Subject Matter Eligibility" resources available at <https://www.uspto.gov/patent/laws-and-regulations/examination-policy/subject-matter-eligibility>; see also Press Release "U.S. Patent and Trademark Office announces revised guidance for determining subject matter eligibility," Jan 4, 2019, available at <https://www.uspto.gov/about-us/news-updates/us-patent-and-trademark-office-announces-revised-guidance-determining-subject>.

subject. I acknowledge that Congress currently has many proposals (in both the House and the Senate) relating to patent reform, and nearly all of these proposals include some provisions relating to subject matter eligibility. At a minimum, we need to do everything we can so that Congress recognizes the importance of stability for patent subject matter eligibility, and implements policies that allow courts to act in a consistent manner.

*Category 2: I can't find financial backing to assert my rights*

Quote 1:

"If you do not have millions of dollars at your disposal, you will need a contingency attorney or investors, both of which are now in short supply. Without these resources, patent holders are defenseless and incapable of licensing."

Quote 2:

"The effects of the PTAB and Alice decision made me unable to defend my patent rights and caused my investors to leave."

The risks of the patent market have caused contingency arrangements – which was the primary manner in which inventors historically had effective access to the courts – to vanish. Litigation is expensive. Without a financial way to represent these smaller entity inventors (including women, veterans, and minorities), they are effectively prevented from being able to assert their rights.

Further, the increased risk has caused investors to close their pockets.

*Recommendation 2: Reduce the risk*

To simply indicate to reduce risk is an easy conclusion to say, but hard to implement.

For example, one of the main goals of the America Invents Act (and subsequent court direction) was to eliminate "trolls" and "bad patents." I believe all in the patent market agree that assertions without merit and bad patents should be removed. However, as Director Iancu recently indicated "[I]n our zeal to eliminate 'trolls' and 'the bad patents'...we have over-corrected and risk throwing out the baby with the bathwater."<sup>7</sup>

Bringing balance back to our system must include some way for patent owners to have financially viable options to assert their rights – both with respect to contingency options and funders. I agree with Director Iancu who indicated "let's work together to find narrowly tailored measures to eliminate only the faults in the system, while promoting the vast amounts of amazing innovation America is capable of."<sup>8</sup>

---

<sup>7</sup> See "Remarks by Director Iancu at the Eastern District of Texas Bar Association Inaugural Texas Dinner," October 18, 2018, available at <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-eastern-district-texas-bar-association-inaugural-texas>

<sup>8</sup> *Id.*

So what narrow measures can we consider?

- We can support Congress in bringing greater clarity to subject matter eligibility.<sup>9</sup>
- We can grant the USPTO greater autonomy of the money it collects.
- We can restore injunctive relief. Patent rights allow for a “right to exclude”<sup>10</sup> and yet, under the current standard set by *Ebay*,<sup>11</sup> the right to exclude is greatly restricted.
- We can minimize multiple proceedings or serial filings to dispute the validity of a patent. Large corporations can weather and finance multiple proceedings – inventors (including women, veterans, and minorities) often simply cannot.<sup>12</sup>
- We can deter “efficient infringers,”<sup>13</sup> which may include those who prefer to purposefully infringe a patent and dispute its validity rather than take out a license, by enforcing “willful infringement” provisions, or as some have even hypothesized, levy criminal sanctions similar to other forms of IP, particular in relation to trademark and copyright penalties.<sup>14</sup>
- We can ensure that PTAB judges are properly appointed, per the appointments clause of the Constitution<sup>15</sup>, and that they comply with the judicial rules or codes of conduct consistent with federal court judges that rule on patent related issues.<sup>16</sup>

*Category 3: Should I simply pursue protection outside of the US?*

Quote:

“I am considering no longer patenting in the U.S. I can get better protection in China. As a veteran, I do not want to move my creations elsewhere, but feel that in view of the current market conditions, I do not have any choice.”

Inventors feel that foreign jurisdictions currently offer more stability for asserting patent rights than what the US provides. This is also consistent with the fact that investors generally are pushing dollars to other jurisdictions to pursue patent protection and assertions.

---

<sup>9</sup> See *herein* Recommendation 1.

<sup>10</sup> See, e.g., 37 USC § 271.

<sup>11</sup> See, e.g., *eBay Inc. v. MercExchange, LLC*, 547 US 388 (2006).

<sup>12</sup> See, e.g., Rob Sterne “PTAB challenges are a costly, uphill battle for patent owners,” IP Watchdog, April 22, 2018, available at <https://www.ipwatchdog.com/2018/04/22/ptab-challenges-costly-uphil-battle-patent-owners/id=96158/>.

<sup>13</sup> See, e.g., Joe Nocera, “The Patent Troll Smokescreen,” NY Times, Oct 23, 2015, available at [https://www.nytimes.com/2015/10/24/opinion/the-patent-troll-smokescreen.html?\\_r=0](https://www.nytimes.com/2015/10/24/opinion/the-patent-troll-smokescreen.html?_r=0).

<sup>14</sup> See, e.g., 17 USC § 506(a); 18 USC § 2320.

<sup>15</sup> See, e.g., Alex Chane “Are Administrative Patent Judges Properly Appointed Under the Appointments Clause?” American Bar Association, Feb 15, 2019, available at <https://www.americanbar.org/groups/litigation/committees/minority-trial-lawyer/articles/2019/are-administrative-patent-judges-properly-appointed-under-the-appointments-clause/>.

<sup>16</sup> Note that the USPTO “Ethics Guidance” (available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/ethics-guidance>) does not include any rules of judicial conduct or codes of judicial conduct.

*Recommendation 3: Learn from history*

The *Diamond v. Chakrabarty*<sup>17</sup> case allowed for living matter to be patent eligible. As a direct result, the U.S. became globally dominant in the biotechnology industry for more than a generation. Currently, the U.S. is falling behind in many industries. For example, China is leading with respect to artificial intelligence investment. Investors follow the money, innovation follows the investors, and economic growth follows the innovation.

As such, having incentives in place, consistent with the measures I've previously indicated,<sup>18</sup> will ensure that the US remains on the forefront of economic growth, innovation, and investment.

Conclusion

We indeed do stand at crossroad. I stand with Director Iancu who stated: “[b]orn of our Constitution and steeped in our glorious history, the American patent system is a crown jewel; a gold standard.”<sup>19</sup> Let's take action now to ensure that inventors, and in particular, women, veterans, and minorities, have effective access to getting a patent, as well as effective access to the courts in enforcing their rights as well.

Thank you.

---

<sup>17</sup> See *Diamond v. Chakrabarty*, 447 US 303 (1980).

<sup>18</sup> See herein Recommendation 2.

<sup>19</sup> See “Remarks by Director Iancu at the Eastern District of Texas Bar Association Inaugural Texas Dinner,” October 18, 2018, available at <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-eastern-district-texas-bar-association-inaugural-texas>; see also “Remarks by Director Andrei Iancu at U.S. Chamber of Commerce Patent Policy Conference,” April 11, 2018, available at <https://www.uspto.gov/about-us/news-updates/remarks-director-andrei-iancu-us-chamber-commerce-patent-policy-conference>.