

From: Whitley Herndon
Sent: Monday, April 15, 2013 4:55 PM
To: QualityApplications_Comments
Subject: ACT Comments on Patent Applications

Attached are comments from the Association for Competitive Technology on the preparation of patent applications, as requested by the USPTO in 78 Fed. Reg. 2, 292 (January 3, 2013).

Please let me know if anything else is required.

Thank you,

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April 15, 2013

Commissioner for Patents
United States Patent and Trade Office
P.O. Box 1450
Alexandria, VA 22313-1450

Submitted Electronically

RE: Request for Comments and Notice of Roundtable Events for Partnership for Enhancement of Quality Software-Related Patents, 78 Fed. Reg. 2, 292

Commissioner Focarino:

On behalf of the Association for Competitive Technology, I write to submit comments on the preparation of patent applications as requested by the United States Patent and Trade Office.¹ The Association for Competitive Technology (ACT) is a grassroots non-profit organization with a membership of more than 5,000 small and medium-sized software and mobile app companies, including more than 4,000 based in the United States.

Our industry has grown from non-existent just five years ago to a \$20 billion industry today. The industry continues to grow rapidly and is projected to reach \$100 billion by 2015.² Today billions of apps are downloaded all over the world, ranging from games, business, education, and even healthcare. The app ecosystem affects millions of Americans and has provided real, tangible benefits to people's lives.

The app ecosystem is driven by the small business community. According to a study conducted by ACT,³ 78 percent of top app developers in the app categories of business, education,

¹ See Request for Comments and Notice of Roundtable Events for Partnership for Enhancement of Quality Software-Related Patents, 78 Fed. Reg. 2, 292 (January 3, 2013); Extension of the Period for Comments on the Preparation of Patent Applications, 78 Fed. Reg. 51, 16474 (March 15, 2013).

² Egle Mikalajunaite, "The Application Development Market Will Grow to \$US100bn in 2015" Research2Guidance (July 6, 2011) *available at* <http://www.research2guidance.com/the-Application-Development-Market-Will-Grow-to-US100bn-in-2015/>.

³ "Testimony of Morgan Reed" Committee on Energy and Commerce Subcommittee on Commerce, Manufacturing, and Trade (Sept. 12, 2012) *available at* <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/Hearings/CMT/20120912/HHRG-112-IF17-WState-MReed-20120912.pdf>.

productivity, and games are companies with fewer than 500 employees. The percentage is likely higher, as many apps developed for large businesses were not built internally, but by small contract app development companies.

Mobile Application Developers and Patents

Invention and innovation are critical for promoting economic growth, creating jobs, and maintaining competitiveness in the global economy. A study by the USPTO estimates that innovation accounts for three quarters of the U.S.'s post-World War II growth.⁴ Patents represent billions of dollars of R&D and thousands of jobs all over the US. Strong patent protection can ensure protection and profit for individuals and entities that develop new ideas and processes. Without that protection, there may be less financial incentive to spend capital and time on inventions and innovating. Weak or nonexistent patent protection does not eliminate innovation but it strongly discourages it.

ACT's members rely on the ability to protect their inventions in order to build and grow their businesses. Developers, especially the vast majority which are small businesses of less than 500 employees, have a limited budget with which to develop their apps. They rely, just like any innovator, on the ability to profit from the inventions created from their own capital. Without the ability to protect their innovations in mobile software, the business model of developers simply does not work. Patents are one way developers can protect and profit from their work.

Companies, large and small, spend years of research and billions of dollars to create patentable material. Some of the ideas will make it into app markets and generate significant revenue. Others will end up being part of an overall package of ideas that help to solve a particular problem—perhaps never getting used, but serving as building blocks for the next new ideas. Still others will have turned out to be worthless, and others will lose money because inventors failed to apply for a patent. But it is the ability to protect the investment of time and money that allows industries that rely on innovation, like the mobile app market, to grow.

However, news stories and industry publications are rife with examples of the failure of software patents confusion or impeding developers as they pursue innovative new ideas. Movements have started up rejecting the very concept of software as patentable subject matter. Academics have argued the only solution is to throw the patent system out the door.

ACT rejects the notion that patents are inherently a bad thing. Instead, our members are concerned with the execution of the system. While the passage of America Invents Act in 2011 was a positive step forward for the patent system, much of the Act is focused on improving

⁴ Christine A. Varney, "Promoting Innovation Through Patent and Antitrust Law and Policy: Remarks" Department of Justice (May 26, 2010) (citing Arti Rai et al., Patent Reform: Unleashing Innovation, Promoting Economic Growth & Producing High Paying Jobs (U.S. Dep't of Commerce, April 13, 2000))

post-grant litigation procedures. We believe the next stage of patent improvement will come from a more robust pre-grant examination process.

Next Steps

Overly-broad patents, claims construction language that is unclear to those skilled in the art, and, quixotically, a lengthy pendency contribute to pre-grant problems. We believe the USPTO has undertaken positive efforts to improve pendency and continues to work on training Patent Examiners so that claims construction better informs current industry practices, but overly-broad patents continue to weigh down the process and seriously damage the software industry's faith in the system.

We are all well aware of the requirements for patentable invention are “new, useful, and non-obvious.” However, when a patent is granted which covers an “abstract idea” rather than a concrete invention, it becomes unclear what exactly the patent is covering. The resulting overly-broad patent creates confusion for both the holder and other inventors.

The problem with overly-broad patents is exacerbated when companies seek license fees from a broad range of parties in a “throw everything at the wall and see what sticks” approach to patent infringement. The confusion caused by overly-broad patents makes this approach possible. As former USPTO Director Kappos said, “If you’ve got a patent and sue 50 to 100 manufacturers all at once, what you’re really saying is that your patent covers the problem, not the particular solution.” These broad claims create fear and uncertainty among app developers, many of whom have very limited experience with the patent system.

The uncertainty that overly-broad patents create leads to a situation where litigation is the only way to determine what these patents cover.

Beyond the impact of litigation, these overly-broad patents stifle innovation. Mobile app developers, unsure as to whether their innovation is covered by an overly-broad patent, attempt to reduce liability by not publishing their inventions or applying for patents. In doing so, inventors miss out on opportunities to find financial backers and to market their inventions. ACT’s members have increasingly cited overly-broad patents as an area of increasing confusion for them as they work to build better and more inventive apps.

The issue of overly-broad patents needs to be addressed by both the applicant and examiners. Clarifications in language and filing requirements could help to ensure that patents cover the innovations made by developers rather than the abstract problems they were made to solve. Application requirements should be amended to require concrete and re-creatable description of the invention to allow those reading the application to better understand the scope of the patent. Patent examiners should also receive further training to better allow them to eliminate overly-broad patent applications. As technology changes so quickly, it is important that

examiners are kept up-to-date with the latest advancements so as to better evaluate patent applications. With improvements on both ends, fewer overly-broad patents will be granted.

With such an important issue as patents, we know the USPTO will take swift but informed action. ACT will be happy to provide guidance and information as we move forward with patent reform.

Sincerely,

A handwritten signature in black ink that reads "Morgan Reed". The signature is written in a cursive style with a large, prominent "M" and "R".

Morgan Reed