

**Comments of the**  
**National Association of Patent Practitioners**  
**on the**  
**Proposed Patent Act of 2005 (Committee Print)**

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## **Executive Summary**

The National Association of Patent Practitioners (NAPP) submits these comments on the Committee Print (discussion draft) of the Patent Act of 2005. In this paper, NAPP expresses its observations with respect to the Act, focusing most closely on issues involving patent prosecution. In particular, NAPP believes that some (but not all) of the provisions are ill-conceived and fail to take into account sufficiently the process of how patents are obtained in the Office.

NAPP is a non-profit organization dedicated to supporting patent practitioners and those people working in the field of patent law in matters relating to patent law, its practice and technological advances. NAPP members generally represent inventors in procuring patents in the United States Patent & Trademark Office (USPTO). The current focus of NAPP is to foster professionalism in the patent practitioner community and to aid patent agents and patent attorneys in staying current in matters relating to USPTO practice.

Congress has been told in the hearings that there is general consensus in the patent community on various provisions included in the bill. However, voices representing inventors, small business, and patent practitioners have not sufficiently been solicited or heard. Nearly all of the persons testifying have represented large corporate interests, which have unique perspectives on the usefulness of the patent laws. While many large companies secure patents, of course, the bill contains many provisions that have been inspired by attorneys defending companies against charges of patent infringement. Some of these provisions inaccurately take into account patent prosecution realities.

As an organization representing nearly 500 patent attorneys and agents whose primary practices focus on securing patents for inventors, NAPP has a distinct perspective on the proposed legislation and can provide practical explanations of certain realities involving patent prosecution that NAPP believes would assist Congress in evaluating this bill.

Patents are a tremendous benefit to society. Without them innovation, especially by smaller companies and individuals, would stop, or not be disclosed to the public as well.

Some provisions of the bill would make it more difficult for inventors to gain meaningful patent protection and turn the system into a lottery, where chance considerations, timing, practitioner skill, and outright luck become more important to secure valuable patent protection than the merits of the invention. In particular, NAPP opposes the provisions relating to:

- 1) "First to file" priority;
- 2) Broadened claim scope;
- 3) Universal 18-month publication;
- 4) Inter partes reexamination estoppel;
- 5) Damages limitations to components;
- 6) Tangible component requirement (overruling the case of *Microsoft v. Eolas*); and
- 7) Elimination of the joint research exception.

Other provisions of the bill would have a positive impact on the patent prosecution process and make it easier for inventors. The enormous costs of U.S. patent litigation have made it the “sport of kings.” While not agreeing with all the proposals in the Committee Print, NAPP applauds efforts by this subcommittee to reduce litigation costs and improve the quality of patent prosecution.

In particular, with some reservations and suggested changes indicated in the detailed discussion, NAPP supports the provisions relating to:

- 1) Post-grant opposition;
- 2) Assignee, rather than inventor, filings;
- 3) Elimination of the “best mode” requirement;
- 4) Duty of candor;
- 5) Some changes to prior art definitions (other than those arising from “first to file”); and
- 6) Elimination of “statutory invention registrations.”

As an organization, NAPP takes no position with respect to the provisions relating to willfulness or injunctions (Secs. 6 and 7 of the Bill) or the expansion of prior user rights (Sec. 9(b) of the Bill), because these do not invoke significant patent-prosecution issues. However, those NAPP members who are also patent litigators have expressed opposition or reservations with respect to these issues.

NAPP thanks the subcommittee for this opportunity to present its views on such important legislation and looks forward to working together with the subcommittee to craft legislation that, in a balanced manner, promotes innovation.

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**Comments of the**  
**National Association of Patent Practitioners**  
**Regarding the Proposed Patent Act of 2005**

**NAPP and Its Perspective**

The National Association of Patent Practitioners (NAPP) appreciates the opportunity to voice our concerns with respect to the Patent Act of 2005. NAPP is an organization of patent agents and patent attorneys whose practices focus on procedure before the USPTO. In particular, our members are deeply involved in patent-prosecution practice, as the majority of our practitioner members are patent agents. NAPP was founded in 1996 and has nearly 500 members in 13 countries. As part of our member benefits, we conduct a Patent Practice Forum™ that enables our members to communicate by e-mail on a daily basis. In preparing our comments, a large number of our members posted through the Patent Practice Forum™; therefore, the information provided to you today is believed to be fairly representative of the NAPP membership views.

NAPP members work inside corporations, in law firms, and as private practitioners. NAPP members also work for large entities, mid-size entities, small entities, universities, and individuals. NAPP members work for U.S. and foreign clients. Nonetheless, the most common thread among NAPP members is that we represent inventors and invention owners in seeking to secure adequate patent protection.

The purpose of the Patent Act is to provide adequate protection for inventors. Inventors are a primary engine of the American economy, as many others have pointed out far more eloquently than we can hope to do. The Patent Act provides a mechanism of encouraging invention by providing exclusive rights to the first inventor, in accordance with the constitutional mandate to promote the useful arts. To achieve the policy goal of spurring invention, patents must have teeth. Placing obstacles in the way of practitioners and their client-inventors to securing patents will clearly hinder invention by removing the financial incentives to invent and disclose inventions. Removing obstacles promotes the policy goal.

Some of the rhetoric by proponents of the Patent Act of 2005 has been highly troubling and obscures the debate. The term “patent troll” in particular has been used. A “patent troll” is apparently a derogatory term used by people or entities to refer to an inventor who has the audacity to assert a patent against them. Such usage is an attempt to apply colored language, in a mindless way, to attack the entire U.S. patent system, because all patents, by their very nature, carry with them the right to collect money for use of the patent. To the extent that the term is used to derogate inventors who do not develop corporate structures or manufacture products, NAPP believes that inventors who merely invent but do not manufacture products – which, after all, includes most university and government researchers – do not deserve epithets or less patent protection. Finally, to the extent that the term is used to refer to people who try to enforce invalid patents, NAPP

believes that there are sufficient existing disincentives against such practices, so Congress should not pass provisions that would weaken all patents to combat bad ones.

As part of its efforts to assist Congress and its various committees in evaluating this proposed bill, NAPP has focused on substance rather than rhetoric, particularly in explaining how certain proposed provisions would operate in real practice. As practitioners who seek to procure patents, NAPP members are intimately aware of how such changes would impact inventors seeking to obtain the patent protection to which they are entitled.

Uniquely among patent-related organizations, NAPP combines patent-procurement knowledge with pro-inventor perspective.

## **The Controversial and Troubling Provisions of the Proposed Patent Act**

### **1) “First to file” priority and associated prior art provisions**

“First-to-file” has been a very controversial and much opposed provision. There is far from universal approval of this change. Indeed, in prior years, patent act proposals including this provision have been a lightning rod of controversy. Time has not tempered those strongly held views. Congress should not be fooled into thinking that this proposal has become less controversial or more accepted over time.

Much of the debate has surrounded arguments that elimination of the present “first to invent” system would favor large corporations and damage individual inventors or small business. NAPP believes that there is logic to support that viewpoint. However, NAPP believes that it can contribute to the debate mostly by focusing Congressional attention on certain realities, including the timing of patent filings, the quality of disclosures, the possible negative impact on practitioners, and (an important and nearly universally overlooked part of the debate) the negative effect of “first to file” outside of the interference context. We discuss those issues in turn.

a) The main problem with “first to file” is that the rights of an inventor can depend on how fast the practitioner can get an application on file. When an inventor comes into a practitioner’s office, it is difficult to know whether other inventors in the world are working on the same invention. Practitioners have backlogs, and we generally take up client applications in some reasonable priority order. Factors such as luck, happenstance, and client choice of practitioner can determine how long it takes for an invention disclosure to percolate through the practitioner’s office, through a prior art patent search, the drafting process, and the review and signature phase.

If a particular application happens to take a bit longer than normal, even assuming no intentional delay or lack of diligence, or if the inventor or practitioner is simply unlucky, another inventor might get an application to the same or a similar invention on file first.

Under the present “first to invent” regime, the delayed inventor has a chance of showing that he or she invented first and retain patent rights. Under the proposed “first to file” regime, the opportunity to show priority would be foreclosed.

It seems likely that large corporations, which have in-house patent practitioners, will be able to file faster and thus have an advantage over solo inventors or small business. Independent inventors who cannot raise sufficient capital to hire patent practitioners may take particularly long times to navigate the maze of rules, regulations, and practices to get their patent applications on file. However, it is also true that large corporations often have internal procedures that can delay some patent filings. Consequently, sometimes the reverse incentive might be true. Whether large or small, it seems unfair that the speed of filing ought to have bearing on the awarding of substantive patent rights.

b) NAPP believes that the proposed change to first-to-file will have adverse consequences on the quality of patent disclosures. Because practitioners know that there is a chance that a conflicting application might be filed by another person or entity at any moment, first-to-file would create a substantial incentive for practitioners to rush to file quickly. In the rush to file, NAPP believes that the quality of patent disclosures will suffer.

In some instances, inventors who have really made significant advances will find their applications rejected, or their patents later invalidated, for failure to comply with the adequate disclosure requirements of 35 USC §112. In other instances, the patent may survive such invalidity challenges but simply contain less complete descriptions such that others who wish to learn from the patent will not find it as useful a reference. Subsequent inventions often depend on inspiration derived from reading prior patent disclosures. In many instances, the rushed disclosures encouraged by first-to-file will cause an increase in litigation expenses, as more defendants choose to challenge patents on quality of disclosure issues.

NAPP anticipates that inventors and practitioners would react to first-to-file, if passed, by increasing the number of hastily filed, or self-filed, provisional applications, followed by a more detailed regular application claiming priority to the provisional. This strategic reaction will also increase expenses of litigation, and USPTO examination, because the examiner and courts will increasingly be asked to determine whether claimed inventions have priority to the provisional application.

c) NAPP believes that another reason to oppose first-to-file lies in the increased risks of litigation between inventors and patent practitioners. If a practitioner takes “too long” to file an application, and an inventor loses patent rights as a result, the inventors may charge their practitioners with malpractice, even in situations where the practitioner could not have known that a third party was about to file an application around the same time.

The risk of such suits may drive practitioners from representing inventors in seeking patent protection, and increase the burden on courts to resolve such matters, to no great public policy benefit.

d) One of the main arguments in favor of first-to-file is the possibility of reducing the frequency of interference proceedings, which are expensive and prolonged procedures to determine who is the first to invent particular claimed subject matter. Presently interferences are very rare, and most of the ones that are brought are settled by the parties quickly. NAPP believes, therefore, that the benefits from removing these proceedings is overstated and not a strong argument for first-to-file.

It has been observed by proponents of first-to-file that “junior parties,” that is, second patent application filers, do not in many instances secure final judgment in interferences showing earlier priority than first filers. This fact is used to argue that it would not cause much harm to switch to first-to-file, because the number of inventors who benefit from the present first-to-invent system is small.

NAPP believes that this line of argument overlooks the main benefits of first-to-invent. Inventors benefit not only when they proceed to final judgment in interferences, but also through the more common instances when interferences settle on terms favorable to the first inventor, when it is clear that a second filer was the first to invent. Prior invention can be shown in many ways, but in some cases, it is clear that the second filer invented the subject matter, because either an actual product or prototype was made by the second filer or an invention disclosure was made to the patent practitioner, before the first-filer’s invention.

But even more importantly, NAPP wishes Congress to understand the little-noticed fact that the main benefit of the first-to-invent system is entirely outside of the interference context. While few of our members have been involved in frequent interferences, many practitioners have had the experience of “removing references” through USPTO Rule 131 (37 CFR §1.131). First-to-file would eliminate this route to a patent, which NAPP believes would significantly harm inventors.

Interferences are the way in which the USPTO decides priority when an inventor wishes to present a claim to the same invention as another application or issued patent. But suppose that the prior-filed application or issued patent discloses (entirely or in substantial part) certain subject matter but does not claim it. If an inventor presents a claim to that subject matter, no interference will be declared. Under current law (35 USC 102(e) or 103(a)), in that case, the new claim will be unpatentable (either anticipated or obvious) only if the prior-filed application predates the new applicant’s *invention* date. Under present practice, inventors use USPTO Rule 131 to antedate cited references that are not public but have filing dates before the inventor’s effective filing date. That rule allows inventors to provide evidence to satisfy the USPTO that the invention date preceded the earlier-filed reference.

Under the proposed change arising from first-to-file (proposed 35 USC 102(a)(2) in Sec. 3(b) of the Bill), the prior-filed application will block patentability if it merely preceded the inventor’s first-filing date, not the invention date. Accordingly, the first-to-file regime would eliminate Rule 131 and prevent inventors from overcoming USPTO

rejections based on prior-filed patent applications, whether they issue as patents or are merely published, even if the prior-filed application does not claim the same invention and even if the applicant really invented the subject matter first.

The use of Rule 131 to predate prior-filed applications is extremely common in USPTO practice, and it reflects the main vehicle in which inventors exercise their present rights under “first-to-invent.” NAPP sees no reason why the rights of an inventor who invented first should be eliminated by a first-filer who invented second, disclosed all or part of the invention, but has no intent to claim the invention.

e) Further, NAPP notes that other first-to-file systems, including the one set forth in the European Patent Convention, prevent the use of first-filed applications or patents that were not published before the earliest filing date of the second-filed application to be applied to support the equivalent of *obviousness* rejections. The Bill’s proposal for adoption of a first-to-file system does not afford the same protections for U.S. patent applicants. Instead, as drafted, the Bill permits as prior art to a later-filed application any prior-filed U.S. or foreign patent application, even those unpublished at the time of the later application. An inventor cannot have access to such a reference under normal circumstances. The inventor should not be penalized and second-guessed by an examiner’s (or jury’s) conclusion that the inventor’s claimed invention would have been obvious in view of unavailable references.

In sum, NAPP believes that the proposals to change to first-to-file would harm inventors. If the goal is limited to reducing the cost of the few interferences that reach full-bore litigation, by establishing certain “per se” rules of priority, then NAPP would be willing to provide input into processes for achieving that result. In any circumstances, the rights of first inventors to predate pre-filing, non-public patent applications that fail to claim the same invention should be preserved and inventors should not have their inventions declared obvious in view of prior-filed applications that are unpublished and therefore not publicly available.

## **2) Broadened claim scope**

Section 8 of the Bill is an ill-conceived, poorly worded, and unworkable proposal to limit the scope of claims in patent applications, particularly broadened ones. NAPP strongly opposes this provision for a myriad of reasons, detailed below.

a) NAPP urges Congress to take into account in its deliberations the fact that patent pendency has been lengthening and the reality that drafting patent claims is a difficult and complex project that cannot be done immediately and “up front.” It has long been recognized by the Supreme Court that a patent is one of the most difficult legal instruments to draw, particularly in drafting claims. Patents are complex legal instruments. Patent practitioners struggle over the wording of claims to secure for their clients the maximum appropriate protection for their inventions. As a consequence, application examination involves a negotiation process between the practitioner and the

USPTO examiner to settle on the correct claims and claim terminology, providing adequate protection for inventors.

In many instances, the examiner's search and examination strategy gives the patent practitioner avenues for pursuing additional claims. Examiners may find new references of which the practitioner and inventor have been previously unaware, requiring the rewriting of claims. Examiners may issue restriction requirements, thus expressing the view that the claims are directed toward several patentably distinct inventions, not just one, requiring the filing of divisional applications. Examiners may interpret words or phrases of a claim in a way that was unanticipated by the inventor or practitioner.

Commercial realities may also dictate a new claim strategy. In some instances, a patent application may be filed early in a product-development process but the product related to the patent application undergoes subsequent redesign. Good patent practitioners often monitor product redesign and try to present new or amended patent claims that will cover the redesigned product while remaining true to the core concepts of the inventive advance. In other instances, competitive products will reveal opportunities for new claim strategies, and the Federal Circuit has approved the practice of writing claims to "read on" competitive products, where the competitor has copied the core invention but made certain changes in an attempt to evade infringement.

The overall goal of the U.S. patent system is to provide an incentive for applicants to disclose their inventions to the public, in exchange for limited protection, which is defined by the patent claims. Any provision, like this one, which would hinder an inventor's ability to submit claims freely to inventions *disclosed in an application* would create a disincentive for inventors to disclose their inventions, as opposed to keeping them secret, and would represent policy countering the constitutional mandate "to promote the progress of science and useful arts, by securing for limited times to ... inventors the exclusive rights to their ... discoveries." U.S. Const. Art. 1, sec. 8, cl. 8.

The USPTO has the legal right under the recent Federal Circuit case of *In re Bogese* to reject applications of those few inventors who use abusive claim-submission practices (such as repeated, unjustified continuations) to delay examination. NAPP does not perceive claim-submission stalling as a widespread or major problem.

Because of USPTO rules, added claims often must be pursued in continuing applications. The USPTO generally allows only one opportunity to amend claims in response to an examiner's action before making final rejections or allowing the application, which terminates the right to submit new claims. U.S. patent law permits the use of continuing applications to allow the pursuit of new or revised claims, if not possible to secure in the parent application, with payment of additional fees to the USPTO. The truth is that continuation and divisional applications are typically well justified by reasons like the patent-prosecution realities discussed above. Continuations are not, in short, a problem.

b) The proposal in the Bill intends to severely limit the ability of practitioners to submit new claims. The tactic taken, generally, is to preclude any divisional or continuation

patent from issuing with a claim broader than the first patent and the first published application emanating from the root application.

Regarding the wording of the proposed section, an initial problem is that the section does not make clear whether paragraph (3) is meant to apply to original applications or only to continuing applications. If paragraph (3) is meant to apply to original applications, then it would appear to cover any situation where an original application has not been published, because no patent would have by that time issued. If this reading is correct, then the proposal would block any claims broader than a claim first presented to the USPTO within the first year after the earliest-sought effective filing date. If not, then paragraph (3) would apply only to continuing applications where the parent was abandoned and not published.

A second problem is that, regardless of how paragraph (3) is interpreted, the proposal provides that, if the original application issued as a patent, the claims in any continuing application could be no broader than the claims of the patent issuing from the original application. Of course, the claims of the issued patent might be broadened from the claims submitted during the first year. Accordingly, the provision oddly allows for a delay in the deadline to submit the broader claim if the applicant can secure allowance of any patent on the original application.

A third problem is that the proposal does not correspond well with Section 9(a) of the Bill, discussed below. Section 9(a) includes a change requiring publication of all “live” applications. Although NAPP opposes this provision, it is included in the Bill, and Section 8, dealing with continuations, does not recognize the change. Specifically, paragraph (3) begins, “if neither paragraph (1) or (2) applies ....” But paragraph (1), discussing publication, would always be applicable, if Section 9(a) were the law and all applications were published.

A fourth problem is that the proposal does not define the term “broader in scope.” In the most constricted interpretation of that phrase, a second claim is broader than a first claim if it covers all that the first claim covers and more. In a more generous interpretation, a second claim that is broadened in one respect but narrowed in other respects would be considered “broader in scope” nonetheless. The language as proposed is ambiguous as to which meaning is intended.

c) Aside from the many questions raised by the specific wording of the provision, NAPP opposes the very theory of restrictions on broadening claims because it is perfectly legitimate in many instances for a patent applicant to seek to remove a particular claim limitation from an initial patent claim. A few examples will clarify how pernicious to ordinary prosecution any proposal of this sort is.

Example 1: Suppose an inventor files an application, not subject to publication, and the examiner allows narrower claims but improperly rejects the broader ones. If the inventor wishes to hasten issuance of the patent (which promotes the public interest by publishing the patent disclosure), he or she may allow a first patent to issue with the narrower claims

and pursue the rejected broader claims in a continuation. Under the new rule, if the application is not subject to publication, such broader claims could not issue, so the inventor could not employ the strategy above. The inventor's alternative is to appeal from the rejection, or file a continuation with both the rejected and allowed claims.

Example 2: Suppose an inventor files an application with first draft claims that contain an unnecessary limitation. Perhaps this limitation is included in the claims because the inventor has acted *pro se* and does not understand claim strategy. Perhaps the limitation is included in the claims because the practitioner did not understand that the unnecessary limitation was only an option. Perhaps the limitation has become unnecessary because of a change to the product that the patent was intended to protect. The application publishes in this form. The examiner allows the application but doesn't find any close prior art at all, so it appears to the practitioner that the unnecessary limitation may be eliminated. Under present practice, the patent would issue, again placing the patent into the public domain, but the new law would preclude that approach. Rather the new law requires the inventor to withdraw the application from allowance and refile it with the allowed claims and variants eliminating the unneeded limitation.

The above examples show that, even if the term "broader" is interpreted in the most constrained fashion, the proposed rule would generate a substantial incentive in many instances to prevent a first patent from issuing, even if some subject matter is allowed, because the inventor has only "one crack" at writing claims.

The Bill's proposal is even worse if the term "broader" is interpreted in the more expansive fashion to cover *any* broadening. Such an expansive rule literally would prevent nearly all adjustments in claim language. Again a few hypothetical examples demonstrate the point:

Example 3: Suppose the initially drafted claim includes a limitation that is believed to distinguish the prior art, but the examiner finds a piece of prior art that discloses that limitation. A common response is to eliminate that limitation, because it is not useful in distinguishing the prior art, and insert a new limitation that provides a more effective distinction. The new limitation may be a reworded variant of the first limitation or a new distinction entirely. Under the proposal in the Bill, such standard prosecution practices would be barred, if the provision is interpreted to bar broadened claims *in any respect*.

Example 4: Suppose an applicant submits a first claim, which is published, believing that the prior art is distinguished by a particular phrase in the application. Later the application is examined and the examiner correctly rejects the claim based on a prior art reference not previously known to the applicant. The patent practitioner can distinguish the reference using either of two distinctions. Accordingly, the applicant submits two claims, each containing language amending the phrase in question to change it to one of the distinctions. The USPTO examiner correctly concludes that the two claims represent patentably distinct inventions and issues a restriction requirement. Under the proposed rule, only one of the claims can possibly be allowed, ever, because the published application contained the old wording and neither of the new terms.

d) The rule is particularly pernicious given the USPTO's current backlog. At today's pace of examination, relatively few applications have even a first response from the USPTO by the time claims must be submitted for publication (roughly 14 months after first filing) or by the 12-month time frame mentioned for applications that don't issue or get published. Accordingly, practitioners would have to develop their claims, and could not broaden them in subsequent applications (and maybe even in the original application), without the benefit of the examiner's search and report.

e) NAPP opposes this provision in part because it would require practitioners to predict the ultimate claims at such early dates. Practitioners are not psychic, yet the proposal unrealistically expects that patentable, valid, sufficiently broad, and correctly drafted claims can be written at the earliest moments of examination, which is simply unrealistic. Like the first-to-file provisions, this provision could result in malpractice claims by clients against practitioners for failure to correctly foresee what claims should be presented.

f) The proposal would lead to satellite debates, either in litigation or before the USPTO, including whether claims are really being "broadened" impermissibly when *any* change to claim wording is proposed, as well as any debates over whether practitioners were justified in failing to present a given claim.

g) The resulting incentives would cause practitioners to present overbroad claims in the initial examination phases, to guard client rights to present claims as well as from a sense of self-preservation. This would burden the USPTO, because examiners must examine and enter rejections of claims that otherwise would not have been presented. Moreover, if the examiner did a poor job and did not notice that the claim was overbroad, a patent could mistakenly issue with very broad claims, to the detriment of the public.

The incentive to present overbroad claims, moreover, puts inventors and their representatives in a "Catch-22" situation. According to recent Supreme Court and Federal Circuit case law (*In re Festo*), presenting a broad claim that is narrowed during prosecution in nearly all cases wholly cuts off the possibility of enforcement under the "doctrine of equivalents," which is a doctrine designed to protect inventor against "fraud on the patent" by trivial redesigns to evade valid patents. As a result, the present system gives substantial incentive for applicants to present claims of proper scope. However, inventors who try to submit claims of appropriate scope, to preserve the doctrine of equivalents, will find themselves at risk of having subsequent claims impossible to procure because of the proposed anti-broadening rule.

h) Also, NAPP believes that the proposal as drafted could be evaded by clever drafting techniques and accordingly could wholly fail to meet its goal of cutting off broadened claims in continuing applications. If the proposal became law, practitioners could take the tack of presenting extremely overbroad claims, even if clearly invalid, merely to preserve the right to file claims of essentially any scope later. For example, in a case involving an automobile, an applicant can present a first claim saying simply: "Claim 1.

An apparatus comprising an engine.” Other claims could be of more reasonable scope. Although the examiner would clearly reject the claim for anticipation by existing automobiles, the inventor would have circumvented the intent of the proposal because any later claim could be drafted to any type of engine, or any type of automobile having an engine, even if broader than the initial claims having reasonable scope, because they would be narrower than the originally filed, overbroad claim 1. This technique shows that the provision would be ineffective, as well as unreasonable for all the reasons discussed previously.

i) NAPP understands that the USPTO has discussed the impact of continuing applications on its backlog, pointing out that continuations require sequential and time-separated repeated examinations of a common specification. Continuing applications have valuable purposes, and this argument should not be used to reduce their effectiveness, putting the interests of inventors and practitioners at risk. Rather, the USPTO and Congress or the USPTO could consider alternatives for reducing the impact of continuing applications on the USPTO backlogs.

For example, apparently because of computer limitations, presently the USPTO does not implement its own rule requiring examiners to examine applications in order of *effective* filing date. Rather, USPTO examiners generally order continuing applications in their queues based on the continuation-filing date. This prolongs pendency of chains of applications, but the USPTO could close out prosecution of applications more rapidly simply by enforcing its own rule.

Another suggestion to reduce the number of times an examiner must review a single specification is to replace the restriction-requirement system with the “unity of invention” procedure used for examination under the Patent Cooperation Treaty. Specifically, if more than one independent and distinct invention exists in a single application, the USPTO would simply require the applicant to pay an additional fee, but the examination would proceed in a single application on all claim groups.

In sum, NAPP urges Congress to delete the proposed limitations on continuing applications from the Bill and, accordingly, opposes Section 8 in its entirety.

### **3) Universal 18-month publication**

Section 9(a) of the proposed bill (although strangely in a section referring to post-grant procedures) would eliminate subparagraph (B) of Section 122, which allows applicants to certify that they do not wish to file abroad and escape mandated publication 18 months after the earliest filing date. In essence, this would require publication of essentially all patent applications (the only exception for “live” applications, i.e., applications on which patent rights continue to be pursued, would be the handful of “secrecy order” cases).

The compromise struck by Congress several years ago has worked well. Most applicants have chosen to allow their applications to publish, because either: 1) They wish to preserve foreign filing rights; 2) Their applications are already in the public domain (with

respect to those patent applications covering continuations of issued patents); 3) They wish to preserve the possibility of provisional damages; or 4) For other business reasons.

However, some applicants, particularly small businesses and individuals, wish to maintain secrecy of their patent applications for valid business reasons. Patent protection essentially starts at patent issuance. The present provisional damages arising from published applications are so extremely limited that there are no reported cases addressing that remedy. The ultimate scope of patent protection has not yet been determined at the 18-month mark, much less at the time the application is filed (when the applicant must decide whether to allow publication).

Alternatively, when an invention is easily copied inventors and companies who wish to do business only in the U.S. may wish to secure patent protection before putting a product on the market. In other instances, an actual issued patent is needed before the inventor can reasonably expect to secure venture financing or licensing fees from business partners. In those instances, required publication puts the inventor at great risk, because any entity can see and copy the invention at a time when the inventor has no reasonable recourse. For these reasons, a certain fraction (NAPP understands it is less than 10% of all applications in practice) of applications remain unpublished.

The main arguments in favor of 18-month publications do not apply in these circumstances, as Congress recognized nearly a decade ago when it passed the present amendments to Section 122 after much opposition from the inventor and venture-capital communities. A principal argument apparently is that foreign countries publish U.S.-origin counterpart applications, often in languages other than English, and publishing here would simply allow English readers to see the same information in the local language. This argument does not justify the proposed removal of Section 122(b)(2)(B), which provides an exception to required publication for applications not filed abroad.

Another problem with universal 18-month publication is that it prevents applicants from adopting the strategy of trying to get a patent and relying on trade secret protection as a fall-back if satisfactory patent protection cannot be secured. In some instances, an inventor is willing to disclose an invention to the public in exchange for exclusive rights (the bargain of the patent system), but if patent protection is impossible or overly narrow, the inventor will abandon the application and keep the invention know-how secret.

With universal 18-month publication, such a strategy is impossible. Without assurance that they can get satisfactory patent protection, more inventors will choose the “safe” route of keeping their inventions as trade secrets, to the detriment of the patent system.

When 18-month publication was first proposed in the 1990’s, proponents of the change pointed out that publication did not occur until the 18-month mark. At the time, the average pendency time to first action from the USPTO examiner was 14 months, which the USPTO promised to work on decreasing. Accordingly, proponents argued that there would be no disincentive to file patent applications because inventors could decide after

seeing the first office action whether they wished to allow the application to publish or abandon it and return to trade secret protection.

Since then, the situation with respect to USPTO's speed of examination has worsened considerably. Few applications have the first examination by the time applicants must decide whether to withdraw their applications from publication. Accordingly, under the current publication regime, applicants must in essence irrevocably waive their trade secret rights merely by filing an application, without any assurance of adequate patent protection. If the proposed revision eliminates the possibility of pursuing U.S.-only patent protection without publication, it is predictable that more inventors will choose to maintain trade secret protection rather than apply for patents at all.

There is little benefit to the system as a whole from requiring publication of the few remaining unpublished applications, and the detriment to some users of the patent system counsels strongly against implementing this change. NAPP accordingly opposes Section 9(a) of the Bill.

#### **4) Inter partes reexamination estoppel**

If an infringer is sued in court, argues invalidity, and loses, then the same infringer cannot bring a second lawsuit seeking to invalidate the same patent, even if the infringer locates a new prior art reference. If an accused infringer brings a contested reexamination proceeding in the USPTO seeking to invalidate a patent and loses, similar estoppel effects should occur. As to that infringer, the patentee should be free from any further arguments of invalidity in any subsequent court case. Nor should the infringer be free to bring a second reexamination seeking to invalidate the patent again.

This reasoning is embodied in 35 USC 315(c), which prevents sequential challenges to invalidity of a patent in court, based on any invalidity argument that could have been brought, if the infringer brings a contested reexamination procedure and loses. However, the existing provision generously allows sequential challenge if the reexamination loser can show the court that their new invalidity argument is "based on newly discovered prior art unavailable to the third-party requester and the [USPTO] at the time of the inter partes reexamination proceedings."

Congress wisely included this provision as a compromise to the hotly controversial contested reexamination procedures in the late 1990's. It would be no less controversial to accept the Bill's procedure to remove that estoppel provision.

The argument is made that a company or person who challenges a patent and loses should be estopped only as to arguments actually mentioned to the USPTO in the reexamination proceeding. To the contrary, any challenger of a patent does, and certainly should, do substantial research before bringing such a challenge. It is quite reasonable to expect a challenger to present all arguments in a single proceeding. Conversely, it is quite unfair to inventors, who secure presumptively valid patents after an often-arduous examination in the USPTO, and then succeed through an expensive inter partes reexamination process,

to endure sequential reexaminations by a single opponent. NAPP accordingly opposes Sec. 9(d) of the Bill. The proposal fails to bring to closure contests by a particular opponent.

## **5) Damages limitations to components**

The Bill includes a new subsection, proposed to be added as 35 USC 284(e), which would limit damages to “a reasonable royalty or other damages ... based only upon such portion of the total value of the method or apparatus as is attributable to the invention alone ...”

While this is principally a litigation issue, NAPP nevertheless opposes the provision because it appears that the author of the proposal has failed to take into account the realities of patent prosecution. The provision fails to take into account the simple fact that “the invention” is defined by the patent claims. Skilled practitioners can craft patent claims differently, and such should make no difference to the damage award.

The easiest way to understand NAPP’s viewpoint is to consider an example. Suppose the invention is a new type of automobile engine. The practitioner can submit a claim directed to an engine containing a novel combination of different parts. Alternatively or additionally, the practitioner can submit a claim directed to an automobile powered by an engine containing a novel combination of different parts. Both claims should be equally allowable, and if infringed, both claims should result in identical damages awards.

Under current law, either claim in our example would result in the same damages. If patent damages are measured by reasonable royalty, for example, the court would determine what a willing licensor and licensee would pay for rights to the invention. Such a “hypothetical negotiation” might include evidence about the ordinary rates auto companies typically pay *per car* for inventions of this nature, or in appropriate circumstances, the evidence might apply a somewhat higher percentage royalty rate applied to the cost of the engine of the car. Either form of economic evidence could persuade the court and form the basis of the damages award.

Under the proposal, by contrast, the court’s form of analysis would differ depending on whether the patent claim was drafted to cover the car or just the engine. If the claim was directed only to a novel engine, then the inventor’s damages would be limited to a percentage calculated on the base attributable to the engine alone. If the claim was directed to the car with the novel engine, then the per-car calculation could be submitted.

Of course, a per-engine calculation might well result in a higher percentage royalty rate applied to a smaller base, while the per-car calculation might well result in a lower percentage royalty rate applied to a larger base, and the two calculations might net the same result. Accordingly, the proposal would do little to accomplish the apparently intended result of reducing available patent damages or increase fairness.

The proposal would cause mischief, nevertheless, by potentially allowing different damages awards based on the happenstance of which claim the patent practitioner happened to elect to present. That is not a good policy result. Litigation should be made more predictable, not more subject to chance factors.

Like certain other proposals discussed here, NAPP is concerned about the possibilities that this change might have in promoting malpractice claims by inventors against practitioners for failing to anticipate how their inventions might be used, with arguments that a damage award from an infringer was less than it ought to have been because of the way the practitioner chose to write the claim.

On the other hand, if the authors of the bill intended that the term “the invention” refer to the “gist” or “nub” of the invention, such that in the example, royalties would be available for the novel engine even if the claimed invention was for a new type of car powered by such novel engine, then NAPP still opposes the provision. The courts have previously refrained from characterizing what parts of a claimed invention form the “point of novelty,” and with good reason: The claim defining an invention should be considered as a whole.

While at first blush this provision appears only fair and facially reasonable, when Congress understands how the proposal would work in practice, with the realities of patent claim-drafting in mind, the provision must be viewed in a wholly different light. The provision would do little to accomplish its intended purpose and would constrain the courts in their damages calculations and evidence in a way that would complicate patent lawsuits. Accordingly, NAPP opposes Section 287(e) proposed by Sec. 6 of the Bill.

## **6) Tangible component requirement (overruling the case of *Microsoft v. Eolas*)**

Section 10 of the Bill, presents a similar problem. This section would preclude any lawsuit for inducement to infringe under Section 271(f) unless the “components of a patent invention” that are supplied in the United States includes “a tangible item that is itself combined physically with other components to create the combination that is alleged to infringe.”

Microsoft proposed this clause to reverse the Federal Circuit decision against it in *Microsoft v. Eolas*. In that case, Microsoft had supplied a software component, known as a “golden master disk,” from the United States, and information from the disk (browser software) was copied abroad to form infringing combinations. The court held that Microsoft’s infringements, although the combinations were done outside the country, nevertheless invoked the U.S. patent laws sufficiently because Microsoft had exported the master disk from which the software component was derived. The court reasoned that Microsoft should not get a “free pass” because the “component” supplied was an intangible one (software) rather than a piece of hardware and that the laws relating to method claims should parallel those involving apparatus claims.

Claims to software-related inventions can include, variously, apparatus (computers) running software, devices (disks) storing software programs, methods of processing information (resulting from the software operating), or methods of doing business using software, or even propagated signals (produced by software). All of those alternatives have been approved by courts and the USPTO as recognized ways of claiming an invention. Moreover, claims to an invention may be drafted from the perspective of the company or individual who operates the software or from the perspective of the person for whom the software is operated.

For some possible claims, as in the forms described in the previous paragraphs that include computers or disks, tangible components exist; in other claims, only intangible components are likely. It is well known, however, that any software (intangible) can be translated to hardware (tangible), and vice versa, and any software (intangible) can be stored on equipment (tangible).

Again, NAPP respectfully submits that the outcome of cases of this sort should not depend on how the chance factor of how the practitioner happens to choose to draft the claims to the invention. If Eolas's patent lawyer had written the claim to the method of creating the novel software product, including the step of delivering a disk containing the novel program and then running the program to achieve the inventive result, then such a claim would clearly qualify as a "tangible component," even under the proposed change sought by Microsoft, and there would be no defense. The situation ought to remain the same even for method claims apparently directed merely to the act of running novel software programs.

Provided that the claimed invention – whether written in method form or not, and whether describing the invention in terms of intangible information-processing steps or in terms of tangible objects containing information – has sufficient connection to the U.S. to invoke this country's patent laws, the rules governing inducing infringement should apply equally. To do otherwise would be to introduce oddities in the patent law for no good public purpose. Accordingly, NAPP opposes Sec. 10 of the Bill.

## **7) Elimination of the joint research exception**

NAPP opposes the Bill's proposed elimination of the joint research exception in present Section 102(c)(2) (*see* Bill Sec. 3(c)(1)). Current law (indeed the quite recently passed CREATE Act) holds that different patent applications prepared under a joint research agreement cannot be used as prior art against each other. The proposed Bill would remove that exception, and its replacement exception for commonly assigned inventions (in proposed Section 102(b)) fails to replace the provision.

It is perhaps the case that the authors of the Bill did not intend to eliminate this provision. In any event, it should be retained, for the same reasons Congress passed it in the first place less than one year ago. Many times, companies or universities work in collaboration on projects, where the patent applications derive from common research but are not commonly assigned. Such applications should not be used against each other. By

removing the provisions of newly passed Section 102(c)(2), joint research between universities, federal laboratories, and the private sector is discouraged.

## **The Promising Provisions of the Proposed Patent Act**

### **1) Post-grant opposition**

Section 9(f) of the Committee Print establishes a new post-grant opposition procedure. NAPP agrees with the spirit of much of Section 9(f) and favors establishing a post-grant opposition procedure with appropriate procedures to provide an economical, user-friendly, and reliable mechanism to challenge patents. However, we have suggestions for changes.

Post-grant opposition has the potential to improve the U.S. patent system by quickly weeding out invalid patents that slip through the USPTO despite the best efforts of patent examiners and honest intentions of inventors, patent agents, and patent attorneys. This procedure may assist holders of valid patents, because this forum permits validity issues to be quickly and inexpensively resolved instead of having to resort to litigation. However, such procedures should include additional safeguards to protect inventors.

NAPP believes that all opposers should be required to identify themselves and not act through proxies. Section 332(b) of the Committee Print would permit exceptions for “good cause.” NAPP cannot imagine any good cause for secrecy and believes that there should be no exceptions. Requiring real parties in interest to identify themselves would weed out frivolous or harassing oppositions and foreclose sequential challenges and redundant proceedings.

NAPP agrees that the opposition period should be limited to nine months from grant. Later challenges through the USPTO can be made via reexamination. Limiting the time for opposition will assist in preventing harassment of inventors and patent owners and bring some closure to the process.

If a District Court infringement case and an opposition, both involving the same patent, are running simultaneously, there should not be an automatic stay of either action. Courts should have the same flexibility in this instance as they already employ in determining whether to stay a District Court action in favor of a reexamination. For example, if a patentee files an infringement suit in District Court well before the opposition commences, there should be no stay. Indeed in “rocket docket” jurisdictions, the court may decide the case well before the Patent Office can decide the opposition.

The opposer should be able assert invalidity based upon any statutory reason, as listed in proposed Section 324, as well as under 35 USC 135(b), which apparently has been overlooked.

We assume that it is clear that, with the amendments to eliminate best mode and inequitable conduct discussed in Parts 3 and 4 of this section, such issues will have no place in opposition. However, if those provisions are removed from the bill, we recommend changing proposed Section 324 to make it clear that issues of best mode and inequitable conduct cannot be raised under any circumstances in an opposition..

In contrast to proposed Section 325, NAPP proposes that the USPTO determine that a *prima facie* case of unpatentability of at least one claim is present before instituting the opposition proceeding. NAPP believes patent practitioners more easily understand a *prima facie* standard than the “lack of substantial merit” standard required in Section 325.

With respect to Section 326, we understand that the patent owner’s responses or supplemental responses to the opposition to include any supporting paper, the same as during prosecution, including terminal disclaimers to overcome double-patenting rejections and declarations or affidavits available, to respond to assertions of unpatentability in a manner similar to the current practice under 37 CFR 1.132 (and 1.131, *see* above comments opposing first-to-file). For example, such affidavits or declarations typically present valuable evidence of unexpected results or commercial success in support of proving non-obviousness. If this is not clear, then proposed Section 326 should be changed to so specify.

Proposed Section 327, requires the patent owner to prove good cause to make further amendments after the patent owner’s response to the opposition request. This section should be changed to permit claim amendments until the end of discovery. There should be some possibility for a patent owner to amend its claims during the opposition. Further, Section 327 should be amended to permit broadening amendments in an opposition where the patent owner files a reissue proceeding within the two-year limit for “broadening reissues.” The USPTO should consolidate a reissue proceeding with the opposition.

NAPP applauds the efforts to limit costs of the opposition by limiting discovery as specified in Section 328.

Proposed Section 332(a) should be changed to require the opposer to prove invalidity by a clear and convincing standard, rather than a mere preponderance of the evidence. Despite the fact that the patent is being opposed, it is still a patent that has undergone considerable scrutiny by a patent examiner before being issued and is presumed to be valid. In return for the right to prevent others from practicing their inventions for a limited time, inventors disclose their inventions to the public and accept that, no matter how ground-breaking, the invention will eventually fall into the public domain. In return for this disclosure, inventors deserve the protection of a clear and convincing standard. This would also promote certainty to the patent owner and the industry affected by the patent, such that both could make future plans while the opposition is ongoing.

With respect to Section 336, an opposer should be estopped from using evidence or prior art asserted during the opposition to challenge validity of any claim that survived the

opposition. This standard would be easier to implement than the estoppel of “any issue of fact or law actually decided and necessary to the determination of that issue” proposed in Section 336, and, as discussed above in connection with inter partes reexamination estoppel, would block sequential, duplicative, and potentially harassing proceedings.

NAPP welcomes the provisions of proposed Section 337 that limit the time to decision in an opposition to one year, or up to an additional six months upon good cause shown by the Commissioner. It is critical that the USPTO be given the resources necessary to meet this deadline. Both patent holders and industry are well-served by timely decisions, which lead to the certainty critical to plan their businesses.

In addition, NAPP proposes patent term extension be granted to patent holders for the time lost due to the opposition. In particular, small companies are hard hit by having their important patents clouded during the opposition period. Oppositions may cause such companies to encounter difficulties with respect to: attracting capital, falling stock prices, ability to attract potential licensees, and potentially put them out of business. Patent term extensions would help to compensate such companies for the burdens imposed by oppositions.

## **2) Assignee, rather than inventor, filings**

Presently, a patent application must be filed in the name of the inventor or inventors. Although the rules have been liberalized through various statutory provisions or court decisions, it remains true that a patent can be invalidated if it names the wrong inventors, even if the incorrectly named or omitted inventors also have assigned the invention to the same patent owner as the correctly named inventors.

Naming the correct inventors has been a source of difficulty in patent prosecution, as many NAPP members can testify. In particular this is seen when claims change and co-inventors must be added or dropped, causing further opportunities for error and further cost (because of petition fees). Further complexities arise from inventors who refuse to sign or die before or during the application process. Additionally, securing oaths is a troublesome step with little public benefit.

The Act contains provisions allowing assignees (owners) to file applications. This change would eliminate all of the above complexities, simplify the application process, ensure that ownership records were more public, and generally improve the patent system. Accordingly, NAPP supports Secs. 4(b) and 4(c) of the Bill.

## **3) Elimination of the “best mode” requirement**

The “best mode” requirement of 35 USC 112(1) expresses the view that the patent application should disclose the best mode known to the inventor of practicing the invention at the time of filing the application. This has been a source of difficulty to practitioners who must implement the statutory mandate and the courts who must determine whether this was achieved.

The main problem has been in defining what is a “mode” of the “invention.” The “invention” is plainly defined by the claims. If one does not disclose in a patent application a limitation of the claim, then the claim is invalid for other Section 112(1) reasons, such as lack of written description or non-enablement. So, the best mode requirement goes to matters *not* expressed in any claim limitation.

But what subject matter, not defined by the claims, must be disclosed as a “mode”? The courts have had significant trouble providing practical guidance to practitioners. Courts have said that patents are not production documents, clearly expressing the concept that they should not be “kitchen sinks” identifying every aspect of a conceived design. Yet eliminating practically any detail, no matter how insignificant to the claims, leaves an opening for challenge to the patent on the grounds that a “mode” known to the inventor was improperly omitted.

The other requirements of Section 112(1) – enablement and written description – provide enough guidance to allow use of the patent, if they are complied with, without the additional ill-defined “best mode” requirement. NAPP supports Section 4(d) of the Bill, which would eliminate it.

#### **4) Duty of candor**

NAPP supports Section 5 of the Bill, in its entirety.

NAPP appreciates greatly Congress’s attention to the problem of regular, litigation-inspired accusations of misconduct against practitioners. NAPP believes that the USPTO is better positioned to judge accusations of misconduct than the courts, which often know little about patent prosecution procedures, or non-practitioner litigation defense counsel, who also regularly misunderstand prosecution processes. The Federal Circuit has long labeled the problem of accusations of inequitable conduct as a defense to patent lawsuits a “plague” on the system, and the cost of patent litigation increases tremendously as a result of such charges, even if eventually disproved.

NAPP also believes that Section 5 of the Bill has importance in providing stronger legislative authority to the USPTO in creating standards for the duty of candor and applying such standards not only to patent applicants but also to opponents in contested cases.

#### **5) Some changes to prior art definitions (other than those arising from “first to file”)**

The bill proposes to modify the definition of prior art under Section 102 by inserting the term “known,” which is defined in Sec. 3(b) of the Bill at proposed Section 102(c), entitled “reasonable and effective accessibility requirement.” NAPP supports this

change, which could – without implementation of first-to-file – be modified to amend existing Sections 102(a), (b).

Aside from the advantage of less ambiguous wording, this change would eliminate the use of “secret prior art,” such as cases where an invention was previously used in non-public situations. For example, if a process is performed in a secret facility inside a company, and it is kept as a trade secret and never disclosed to the public, it should not be considered prior art to another person who invented the process and filed a patent application, thus placing the invention in the public domain.

NAPP also supports the Bill’s elimination of present Section 102(c), which establishes a little-used bar to patentability for inventors who “abandoned the invention.” Clearly, if an inventor files a patent application after laying aside an invention, there seems no good reason to deny a patent if the inventor nevertheless contributes something new to the state of the art despite the delay.

NAPP also supports the Bill’s elimination of present Section 102(d). This section requires inventors to file U.S. patent applications within one year from the earliest foreign patent filing. If the invention remains unknown, however, at the time of the U.S. patent application, NAPP sees no reason why the inventor should not secure a U.S. patent, even if it is more than a year after the first foreign filing. (This issue, by the way, is unrelated to the question of whether such a belated U.S. application could receive priority to the earlier foreign filing – such is barred under Section 119 and the Paris Convention.)

NAPP also supports the Bill’s elimination of present Section 103(b), which provides certain special rules for “biotechnological process” patents. NAPP believes that all patent applications should be examined, and all patents judged, under common obviousness standards.

NAPP also supports the Bill’s elimination of present Section 104, the accompanying provision granting priority to foreign priority patent applications (which would overrule the case of *In re Hilmer*), and the elimination of the English-language requirement for treaty applications. Accordingly, NAPP supports Secs. 3(a), 3(d), and 3(g) of the Bill and proposed 102(d) as written in Sec. 3(b) of the Bill, to the extent not in conflict with the above comments about first-to-file.

NAPP also supports the Bill’s wording revision to Section 120, which would clarify that priority to an earlier U.S. application may have different but overlapping “inventive entities” without eliminating the right of priority. This makes logical sense in a period where many inventions are made by teams and conforms with the provisions having to do with assignee-based filings. Accordingly, NAPP supports Sec. 3(f) of the Bill.

## **6) Elimination of “statutory invention registrations”**

Statutory invention registrations were created for those filers who wished to place information in the public domain without securing patent protection. Few “SIR” filings have been made over the years, in practice. NAPP is unaware of any problem with eliminating this option. Filers can achieve much the same results by filing a regular patent application, allowing it to be published, and then abandoning the application or through other publication means. Accordingly, NAPP supports Sec. 3(e) of the Bill.

### **Conclusion**

In conclusion, members of NAPP have expressed concerns regarding the impact on patent prosecution and inventors arising from some but not all provisions of the proposed Patent Act. Given the realities of USPTO examination delays and expense in procuring patents already, legislative incentives should trend toward reducing obstacles to secure and enforce patents, not placing additional stumbling blocks in the way. While some provisions of the proposed Patent Act trend in that direction, many would make it more difficult. NAPP urges that Congress involve other groups and hear more from pro-patent forces, including inventors, small business, venture capitalists, and patent-prosecution specialists. NAPP remains willing to help analyze revised provisions, to comment further as needed, and to work with Congress and opposing interests, including defense lawyers and corporate representatives, to delete or alter the anti-patent provisions of the bill.