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Amendments to H.R. 1249, the “America Invents Act”

Talking Points



Tuesday, June 21, 2011; 5:00pm

- Before I offer my amendments, I would like to reaffirm my support for H.R. 1249. I believe it to be a positive step toward improving the efficiency and effectiveness of our IP system. However, I am not deaf to some of the criticisms that it has received from various interests.

- The amendments I am offering today are not controversial. They simply tighten up the language of the existing provisions of the bill, and add checks to ensure that the bill, if it becomes law, is fulfilling its intended purposes.

AMENDMENTS CONCERNING SMALL BUSINESSES, MINORITY- AND WOMAN-OWNED BUSINESSES, AND HBCU'S

Amendment #26 and #22 – Inclusion of minority- and woman-owned businesses

- H.R. 1249, the “American Invents Act,” addresses one of the concerns with the current patent system – the high fees associated with filing patent applications and the burden they impose on small businesses and not-for-profit entities wishing to secure patent protection.
- It addresses this concern by giving a 50% discount on all USPTO fees to “small entities” and “micro entities.”
- **My first amendment (Amendment #26) amends the definition of “small entities” for the purposes of receiving the fee discount**

to include language that ensures that minority-owned and woman-owned businesses are included.

- **My second amendment (Amendment #22), much like my first amendment, includes minority-owned and woman-owned businesses in the definition of “micro entity” for purposes of receiving the fee discounts afforded to these types of entities.**
- While I am sure it was the intent behind this section to extend protection for all small businesses, my amendments simply reassure inclusion of minority-owned and woman-owned businesses.
- The U.S. Department of Commerce defines small businesses as a business which employs less than 500 employees. According to the Department of Commerce, in 2006 there were 6 million small employers – representing around 99.7% of the nation’s employers and 50.2% of its private-sector employment. The proposed patent reform will ensure that small businesses are not treated at a disadvantage. It has great potential to create job growth, and in turn spur economic development for our country.

- There were 386,422 small employers in Texas in 2006, accounting for 98.7% of the state's employers and 46.8% of its private-sector employment. Since small businesses make up such a large portion of our employer network, it is important to understand how they will be impacted as a result of patent reform.
- Women and minority owned businesses generate billions of dollars and employ millions of people.
- There are 5.8 million minority owned businesses in the United States, representing a significant aspect of our economy. In 2007, minority owned businesses employed nearly 6 million Americans and generated \$1 trillion dollars in economic output.
- Women owned businesses have increased 20% since 2002, and currently total close to 8 million. These organizations make up more than half of all businesses in health care and social assistance.

- My home city of Houston, Texas is home to more than 60,000 women owned businesses, and more than 60,000 African American owned businesses.

Amendment #29 – HBCU’s and Hispanic Serving Institutions

- One of the positive attributes of this bill is that it extends fee discounts to colleges and universities that engage in research and seek patent protection of their work.
- H.R. 1249 does this by giving fee discounts to “public institutions of higher education.”
- For purposes of this section, my amendment includes in the definition of “small entities” Historically Black Colleges and Universities (HBCU’s).
- Generally speaking, HBCU’s should be considered “public institutions of higher education,” however, in a few instances where schools receive alternative means of funding, there is a risk that minority serving institutions could be overlooked.

- **My amendment simply ensures that the intended goal of the language in this bill is actually achieved – that ALL colleges and universities, including Historically Black Colleges and Universities and Hispanic Serving Institutions, receive fee discounts to keep the patent system accessible.**
- Our nation’s colleges and universities are responsible for a vast amount of valuable research.
- HBCUs are a source of accomplishment and great pride for the African American community as well as the entire nation. The Higher Education Act of 1965, as amended, defines an HBCU as:
"...any historically black college or university that was established prior to 1964, whose principal mission was, and is, the education of black Americans, and that is accredited by a nationally recognized accrediting agency or association determined by the Secretary [of Education] to be a reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation."

HBCUs offer all students, regardless of race, an opportunity to develop their skills and talents.

- Secretary of Education Arne Duncan said, *“HBCUs play an essential role in helping our Nation boost college completion rates and achieve the President's goal for America to again have the highest percentage of college graduates in the world by 2020.”*
- At present, HBCUs award just over 36,000 undergraduate degrees a year. More than 80 percent of those degrees, about 31,500 degrees, are baccalaureate degrees.
- HBCUs currently award about 15 percent of all undergraduate degrees nationwide for African-American students
- The completion gap in high-demand fields in science, technology, engineering and math is particularly troubling. Nationwide, nearly 70 percent of white students in STEM fields complete their degrees, compared with just 42 percent of African-American students.

Amendment #27 – Sense of Congress protecting rights of small businesses and inventors

- We must always be mindful of the importance of ensuring that small companies have the same opportunities to innovate and have their inventions patented and that the laws will continue to protect their valuable intellectual property.
- **Therefore, I am offering an amendment that expresses the sense of Congress that the patent system should promote industries to continue to develop new technologies that spur growth and create jobs across the country, which includes protecting the rights of small businesses and inventors from predatory behavior that could result in the cutting off of innovation.**
- The role of venture capital is very important in the patent debate, as is preserving the collaboration that now occurs between small firms and universities. We must ensure that whatever improvements we make to the patent laws are not done so at the expense of innovators and to innovation. The legislation before us,

while not perfect, does a surprisingly good job at striking the right balance.

- Several studies, including those by the National Academy of Sciences and the Federal Trade Commission, recommended reform of the patent system to address what they thought were deficiencies in how patents are currently issued.
- The U.S Department of Commerce defines small businesses as businesses which employ less than 500 employees.
 - According to the Department of Commerce in 2006 there were 6 million small employers representing around 99.7% of the nation's employers and 50.2% of its private-sector employment.
 - In 2002 the percentage of women who owned their business was 28 % while black owned was around 5%. Between 2007 and 2008 the percent change for black females who were self employed went down 2.5 % while the number for men went down 1.5%.

- Small business is thriving in my home state of Texas as well. There were 386,422 small employers in Texas in 2006, accounting for 98.7% of the state's employers and 46.8% of its private-sector employment.
- In 2009, there were about 468,000 small women-owned small businesses compared to over 1 million owned by men.
 - 88,000 small business owners are black, 77,000 are Asian, 319,000 are Hispanic, 16,000 are Native Americans
- Since small businesses make up such a large portion of our employer network, it is important to understand how they will be impacted as a result of patent reform.

Amendment #23 – Extension of the disclosure period for small businesses

- My amendment addresses the section of this bill which deals with the disclosure period, also known as the grace period. In its current state, H.R. 1249 includes a one year grace period for

inventors who make disclosures about their inventions before they apply for an actual patent.

- **My amendment extends that grace period for small business from one year to eighteen months.**
- When small businesses are attempting to develop an invention, oftentimes it is necessary for them to make disclosures to outside entities because, due to a lack of resources, they need to outsource the effort needed to bring an invention to market.
- For small businesses outsourcing their development, the one year grace period may not be an adequate amount of time.
- Whenever an inventor makes the first public disclosure of an invention, then -- as to whatever the inventor disclosed publicly -- the disclosing inventor is guaranteed the right to patent the invention if a patent is sought during the 1-year "grace period" after the first public disclosure, even if during this "grace period" someone else (e.g., another inventor) either publishes its own

independent work on the invention or seeks its own patent on the invention based on its independent work.

- Prior art is created when a disclosure is made available to the public. However the "grace period" operates so that an inventor's own disclosure (or the disclosure by someone else that represents nothing more than the inventor's own work itself) is excluded as prior art to the extent of any of these inventor-originated disclosures made one-year or less before the inventor seeks a patent. In short, inventors have one year from when they make they make their work public to seek patents.

AMENDMENTS ADDRESSING SECTION 18 (TRANSITIONAL REVIEW PROCESS FOR BUSINESS METHOD PATENTS)

Amendment #25 – Sunset of Business Method Patents Review Program

- Though I am generally supportive of this bill, Section 18, which creates a transitional review program for business method patents, has come under criticism.
- There has been a lot of inconsistency in the status of the law surrounding business method patents over the years.
 - Historically, business methods and systems to implement those methods were not patentable, but in the 1998 State Street v. Signature Financial Group ruling, that all changed.
 - After that ruling, there was an explosion of applications for business method patents, and many were issued. However, many of these patents are of poor quality.
 - Many business methods are facially obvious, whereas patentable inventions are supposed to novel and non-obvious.

- They also lack prior art. It is very difficult to determine which business methods are simply common practice in different industries, but simply have been properly documented.
- The difficulties associated with issuing business method patents coupled with the lack of resources within the USPTO lead to issuance of many weak business method patents, some of which probably should not have been awards. Thus, a slew of litigation followed.
- This section, though controversial because it targets a specific type of patent, is intended to iron out the inconsistency in issuance of these types of patents and the many different rulings that flowed from mountains of litigation.
- While I believe it is important to achieve consistency, I also think the necessity of this process is finite. Currently, the provision sunsets in 10 years, however, that period is too long in my opinion.

- Given the concerns associated with this section and the limited relevance of this provision, **I have proposed an amendment that would make this provision sunset in 5 years.**

Amendment #24 – Requiring Departmental determination that there is no “unlawful taking of property”

- As I mentioned previously, Section 18 of this bill has been subject to criticisms, most notably the fact that the transitional review program is creates may cause some patents to be taken away, which may lead to a potential violation of the “takings clause” in the U.S. Constitution.
- Patents, though intangible, are considered property and they are valuable – some extremely valuable and a source of great wealth to their owners. A process that could strip a patent owner of their property without just compensation comes dangerously close to an unlawful taking, in my opinion.
- This is of great concern to me, and therefore I am offering an amendment to address the constitutionality issue of this provision.

- **My amendment requires the Director of the US Patent and Trademark Office, within a year of enactment of this bill, to make a determination of whether the provisions of this section could create a condition that could be considered an unlawful taking of property under the “takings clause” found in the Fifth Amendment of the Constitution. The Director would need to report to Congress the underlying reasoning for his determination.**
- While there may be a valid intent and purpose behind the provisions in section 18 of this bill, no purpose is so great that it warrants a violation of the Constitution.
- My amendment will help ensure that the Constitution is upheld and adhered to, a goal that we all, regardless of party affiliation, should wholly support.

Amendment #28 – Sense of Congress – no violation of the takings clause

- The Constitution is the law of land, a body of law that we as lawmakers respect, and that the American people value as the cornerstone of democracy.
- Because some of the opponents of this bill have raised Constitutional concerns with specific provisions in the bill, I am offering an amendment that reaffirms our commitment to the Constitution.
- **My amendment is a simple. It states that it is the sense of Congress that none of the provisions of this bill should constitute an unconstitutional taking of property under the fifth Amendment to the Constitution.**