

**United States Patent and Trademark Office
Department of Commerce
Washington, DC**

In the Matter of _____)
)
Notice of Public Hearing and Request for _____)
Comments on Study of Prior User Rights _____)
_____)

Dkt. No. PTO-2011-0060

To: IP Policy@uspto.gov
Attn: Elizabeth Shaw

COMMENTS OF THE WISCONSIN ALUMNI RESEARCH FOUNDATION

On October 4, 2011, the United States Patent and Trademark Office (“USPTO”) issued a notice of public hearing and request for comments on patent prior user rights for the purposes of preparing a “Report on Prior User Rights” (“Report”) on the subject, as required by the America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (“Notice”). *See* 76 Fed. Reg. 62388 (Oct. 7, 2011).

I.

The Wisconsin Alumni Research Foundation (“WARF”) hereby submits written comments. WARF is the patent management organization for the University of Wisconsin-Madison. Pursuant to agreements, WARF, through its non-profit subsidiary, WiSys, also represents the patent interests of the entire University of Wisconsin System. The WARF mission, to support scientific research at the University of Wisconsin, is accomplished by transferring university technology to the marketplace for the benefit of the university, the inventors and the public. Licensing income is returned to the university to fund further scientific research.

Founded in 1925, WARF is one of the oldest organizations in the United States engaged in university technology transfer. Over its 86-year existence, WARF has not only protected the

fruits of scientific research, it has actually contributed in excess of \$1 billion to cutting-edge UW-Madison scientific research. Of greater significance is the fact that WARF's technology transfer successes have had a profound and positive effect on the welfare, health, and safety of humankind.

II.

The Notice identifies a number of issues for testimony or written comments. 76 Fed. Reg. at 62389. WARF wishes to comment on three of the issues.

a. **Views, along with any corresponding analysis, as to whether there are any legal or constitutional issues with placing trade secret law in United States patent law.**

In WARF's view, there are serious legal and constitutional issues associated with placing trade secret law in the patent law, and through that assimilation, granting non-inventors co-exclusive rights for unlimited times. Based on a plain meaning reading of Section 5 of the AIA, along with constitutional text and relevant case law, WARF submits that inserting trade secret law into patent law suffers from serious constitutional infirmities.

Article I, Section 8, Clause 8, of the U.S. Constitution ("Intellectual Property Clause") confers authority on the Congress to enact patent laws with a proviso that the progress of science and useful arts be promoted. The constitutional basis for U.S. patent law has, for more than two centuries, been an exclusive right to inventors and authors for a limited period of time in exchange for a disclosure to the public -- the disclosure inducement theory and principle embedded in patent law. The statutory expansion of prior user rights shifts that constitutional principle of disclosure to one favoring trade secrecy.

Because successful scientific research is based on acquired knowledge, collaboration, and information sharing, the assimilation of trade secrecy practices into the patent law -- like an invasive species -- will impede the progress of science. Secrecy clearly thwarts the underlying

goals of publication and disclosure in patent law. Taken to its logical extreme, if everyone opted for prior user rights the patent system would cease to exist.

Broadening prior user rights also contradicts terms relative to the patent grant and erodes that grant. The Constitution speaks of the “exclusive rights” of inventors to their respective inventions and discoveries. The Constitution does not envision co-exclusive rights for non-inventors. The Constitution does not say “exclusive rights to discoveries except those where someone else is commercially using an invention or discovery in secret.” Furthermore, advancement of science and technology because of the design-around activities promoted by patenting will be thwarted.

Pursuant to the language of Section 5 of the AIA and in accordance with the Intellectual Property Clause, the patent owner has a term of protection that lasts for a “limited” time. Without a definitive term, such trade secret protection runs afoul of the clear language in the Intellectual Property Clause, which allows Congress to grant rights for “limited Times” only. The trade secret owner has a right that may last for an “unlimited” time. If Congress had wanted to give the trade secret owner a “limited” term, it could have done so. It did not. Moreover, if Congress had attempted to accomplish this end by pre-empting state trade secret laws without an adequate record, it would arguably have run afoul of other constitutional provisions such as Article X of the Constitution.

Attached you will find a recently published article by Ellen Jalkut and Michael J. Remington titled “Prior User Rights Expansion: Congress, the Courts, and Constitutional Considerations,” published in BNA’s Patent, Trademark and Copyright Journal, 82 PTCJ 610 (Sept. 20, 2011). The article, which comprehensively addresses the information sought in the Notice and in section 3(m)(5) of the AIA, provides corresponding analysis.

The article addresses the complex relationship between the law of trade secrets and the patent system, stating that the expansion of prior user rights tilts the relationship's balance towards the former. In discussing the supremacy of the Patent Act, the U.S. Supreme Court explained, “[i]f a State, through a system of protection, were to cause a substantial risk that holders of patentable inventions would not seek patents, but rather would rely on the state protection, we would be compelled to hold that such a system could not constitutionally continue to exist.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 489 (1974). Rather than a state strengthening its trade secrecy laws, it is Congress that has fortified trade secrecy at the expense of patent protection.

Consequently, two fundamental questions will eventually be put to the federal courts:

1. If Congress, through a new system of intellectual property protection rooted in trade secret law, creates a substantial risk that holders of patentable inventions would not seek patents, but would in lieu thereof rely either on secrecy for unlimited times or abandon the discovery after considering the diminished quid pro quo of a patent, would such a system constitutionally pass muster?
2. Does Congress have the power to create a secondary patent system by conferring a species of rights on non-inventors for unlimited times?

The thesis of the Jalkut/Remington article is that the answers to both of these questions tilt heavily in the direction of “no.”

During the USPTO's hearing on October 25, 2011, testimony was presented to the effect that there is a constitutional and legal difference between inserting trade secrecy into the patent law and creating a prior user rights defense. The Jalkut/Remington article readily admits that Congress, in exercising Intellectual Property Clause authority, may determine what is protectible and what is not protectible, including limitations, defenses, and exceptions to exclusive rights.

As the authors note, when Congress has the power to grant either complete exclusivity or no protection at all, Congress sometimes chooses a middle ground. Historically, Congress has

created compulsory (statutory) licenses where exclusive rights are tempered, statutory limitations such as fair use in copyright law, and defenses such as innocent infringement. *Id.* at note 82.

One witness argued at the October 25 hearing that this essentially is what occurred for enactment of Section 5 of the AIA, averring that Congress made a compromise like many others that have never been held unconstitutional. This argument ignores First Amendment and state sovereign immunity issues, and the fact that the Intellectual Property Clause does not permit protection for an “unlimited Time.” Moreover, based on the Supreme Court’s explanation of the differences between patents and copyrights, the argument is a stretch. See *Eldred v. Ashcroft*, 537 U.S. at 216-17 (discussing the differences in disclosure objectives and exclusivity of a patent as compared to a copyright). To reiterate a point made in the Remington/Jalkut article, “the Intellectual Property Clause is clearly a power and a limitation on the exercise of power. Congress has broad authority to establish balances in patent and copyright law, but in so doing it must still respect and give effect to every part of the Constitution, especially express limitations on its authority.” *Id.* In the final analysis, the difference between a prior user *right* and a prior user *defense* is meaningless. The express terms of the Constitution apply.

b. Correlation, if any, between prior user rights and start-up enterprises and the ability to attract venture capital to start new companies.

WARF has close to nine decades of experience in licensing and technology transfer. Beginning in the early 1990s, WARF aggressively began to license intellectual property to university start-up companies, investing in some companies and even taking equity in some others to promote the commercialization of inventions and discoveries many of which found their origins in the results of federally-supported research.

Currently, WARF has equity in close to sixty start-up companies. Based on its actual experiences, WARF submits that the expansion of prior user rights in the AIA will likely hinder

the ability to raise venture capital which is essential to the creation and survival of start-up companies. Simply stated, because the expansion of prior user rights dilutes the right to exclude others, the value of patents will be reduced. In a competitive free-market environment where investors have substantial choices, it will not take long for venture capitalists and investors to take stock of this debasement. Fundamentally, prior user rights or any further expansion of such rights introduces a great deal more of uncertainty into the invention commercialization equation and that increases risks to the venture capital community. Uncertainty is anathema to investors.

In order to develop an understanding to permit analysis of the perils and pitfalls of inserting trade secrets into the patent law, the USPTO should consult with national venture capital associations, experienced venture capitalists, and angel investors who specialize in university research and start-up companies and who are critical to their successes.

c. Experiences in analyzing the effect, if any, of prior user rights on small business, universities, and individual inventors.

WARF has substantial experience in representing the intellectual property interests of a successful research university, protecting the interests of faculty and researchers, advocating for individual inventors, and commercializing discoveries and inventions through the private sector, especially small businesses, and particularly in responding to its charge under the Bayh-Dole Act to convey the results of federally-supported research to the public for its benefit and welfare. In WARF's experience, the U.S. patent system was established to disseminate ideas. The patent law imposes upon an inventor a requirement of disclosure and the university sector encourages publication of the results of scientific research. Disclosure is the *quid pro quo* of the patent system while publication is the criteria and goal of university research with the net result being the "progress of science." Universities, small businesses, individual inventors and the public at large are the ultimate beneficiaries of the dissemination of knowledge. Broadening the prior user

right, as was done in the AIA, will have serious deleterious consequences on both the stakeholders and the general public.

In order to develop an encompassing and definitive framework for analysis of this critical aspect of the U.S. innovation system, the USPTO should consult with university-oriented associations, successful research universities and their respective technology transfer offices as well as individual academic inventors.

CONCLUSION

WARF commends the USPTO for expeditiously taking steps to satisfy section 3(m) of the AIA regarding a Report through a public comment period and a hearing on the subject of trade secrecy and patent law. It is WARF's hope that the Report will address the serious legal, constitutional and other important issues that arise from placing trade secret law in the Patent Act and that the USPTO will develop a sound framework for addressing the serious questions provided in the Notice.

Respectfully yours,



Carl E. Gulbrandsen
Managing Director
Wisconsin Alumni Research Foundation

Date: November 3, 2011

Attachment

Prior User Rights Expansion: Congress, the Courts, and Constitutional Considerations



BY ELLEN JALKUT AND MICHAEL J. REMINGTON

Ellen Jalkut currently serves as a consultant on intellectual property legal issues for the Wisconsin Alumni Research Foundation, or WARF. She has a J.D. from the University of Michigan and is a former law clerk for Judge William G. Young of the U.S. District Court for the District of Massachusetts. Prior to clerking, she worked as a litigation associate in New York.

Michael J. Remington is a partner with Drinker Biddle & Reath, Washington, D.C. He has a J.D. from the University of Wisconsin. He is counsel to WARF, among other clients. He previously served as chief counsel for the U.S. House of Representatives Judiciary Committee's Subcommittee on Courts, Intellectual Property, and the Administration of Justice. He is a member of this publication's advisory board.

“[E]VERY ACT OF A DELEGATED AUTHORITY, CONTRARY TO THE TENOR OF THE COMMISSION UNDER WHICH IT IS EXERCISED, IS VOID. NO LEGISLATIVE ACT, THEREFORE, CONTRARY TO THE CONSTITUTION, CAN BE VALID. TO DENY THIS, WOULD BE TO AFFIRM, THAT THE DEPUTY IS GREATER THAN HIS PRINCIPAL; THAT THE SERVANT IS ABOVE HIS MASTER; THAT THE REPRESENTATIVES OF THE PEOPLE ARE SUPERIOR TO THE PEOPLE THEMSELVES; THAT MEN ACTING BY VIRTUE OF POWERS, MAY DO NOT ONLY WHAT THEIR POWERS DO NOT AUTHORIZE, BUT WHAT THEY FORBID.”

ALEXANDER HAMILTON¹

During the past four Congresses, congressional leaders have embraced a number of wise proposals to bring the U.S. patent system into the 21st Century, many of these recommended by the National Academies of Sciences.² On March 8, the U.S. Senate passed the America Invents Act (S. 23), by a vote of 95 to 5. Until the U.S. House of Representatives passed the Leahy-Smith America Invents Act (H.R. 1249) on June 23, by a vote of 304-117, policy makers had wisely rejected most (but not all) proposals to expand significantly secret “prior user rights” through amendments to current law. Now, as patent reform legislation nears completion, with a strong push for the Senate to accept the Leahy-Smith Act, serious consideration should be given to constitutional questions that arise from proposed statutory language regarding prior user rights expansion that may be enacted into law.

Introduction

Through amendments to 35 U.S.C. § 273, the Leahy-Smith Act severely diminishes the value of patents. If

¹ THE FEDERALIST NO. 78.

² A PATENT SYSTEM FOR THE 21ST CENTURY, National Research Council of the National Academics (2004).

enacted, a patent system that was established to disseminate ideas will be weakened in favor of protecting discoveries held in secrecy. The current complex relationship between the law of trade secrets and the patent system will be tilted towards the former. In discussing the supremacy of the Patent Act, the U.S. Supreme Court explained, “If a State, through a system of protection, were to cause a substantial risk that holders of patentable inventions would not seek patents, but rather would rely on the state protection, we would be compelled to hold that such a system could not constitutionally continue to exist.”³ Rather than a state strengthening its trade secrecy laws, it is Congress which is on the precipice of fortifying trade secrecy at the expense of patent protection.

Consequently, fundamental questions will eventually be put to the federal courts:

1. If Congress, through a new system of intellectual property protection rooted in trade secret law, creates a substantial risk that holders of patentable inventions would not seek patents, but would in lieu thereof rely either on secrecy for unlimited times or abandon the discovery after considering the diminished quid pro quo of a patent, would such a system constitutionally pass muster?
2. Does Congress have the power to create a secondary patent system by conferring a species of rights on non-inventors for unlimited times?

It is the thesis of this article that the answers to both questions tilt heavily in the direction of “no.” This article commences with an examination of the statutory changes made in the Leahy-Smith Act regarding prior user rights. Second, the article discusses the constitutional underpinnings for U.S. patent law generally and H.R. 1249 specifically. Third, this analysis addresses the important role that Congress plays in ensuring that legislative proposals be firmly rooted in a constitutional provision. Fourth, the article discusses the difficulties in interpreting the relevant constitutional provision and highlights different theories. Finally, the article concludes that statutory expansion protecting non-inventors through co-exclusive rights for unlimited periods of time inevitably suffers from constitutional infirmities.

I. PROPOSED STATUTORY CHANGES TO PRIOR USER RIGHTS

Under current law, a person may claim prior user rights as a defense against patent infringement when the patent in question involves a method of doing or conducting business and the alleged infringing person had reduced the business method to practice at least one year prior to the filing date of the patent and had commercially used it before that date.⁴ The defense does not invalidate the patent, but it allows the person to continue using the business method. In 1999, Congress passed this very limited provision⁵ in response to

the Federal Circuit decision in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*,⁶ which eliminated the long-standing business method exception to patentable subject matter. The 1999 legislation has never been constitutionally challenged, in part because of its narrowness and in part because commercial entities that practiced innovative business methods as trade secrets could reasonably have believed, prior to the *State Street* decision, that such business methods were not patentable subject matter.⁷

The Leahy-Smith Act expands the current prior user rights “defense” considerably.⁸ Rather than just applying to business method patents, it is applicable to “subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process.”⁹ Manifesting the scope of the change, the current title of Section 273—Defense to infringement based on earlier inventor—is amended to read: “Defense to infringement based on prior commercial use.” The broadened defense applies so long as a person commercially used the subject matter of the patent in the United States at least one year before the earlier of the effective filing date of the claimed invention or the date on which the claimed invention was disclosed to the public.¹⁰ Additionally, any purchaser of a useful end-product of a patented process from a prior user is also covered by this defense.¹¹ Although the prior user does not have to have invented the subject matter of the patent, the person cannot have derived the subject matter on which the defense is based from the patent owner or persons in privity with the patentee.¹²

The Leahy-Smith Act provides a carefully tailored exception whereby the prior user rights defense does not apply to certain university activities. Generally, prior user rights will not be available as a defense where the claimed invention was, at the time that the invention was made, owned or subject to an obligation of assignment to either (1) an institution of higher education, or (2) a technology transfer organization whose primary purpose is to facilitate the commercialization of technologies developed by one or more implicated institutions of higher education.¹³ The exception does not apply if any of the activities required to reduce to practice

⁶ 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) (56 PTCJ 346, 7/30/98), cert. denied, 525 U.S. 1093 (1999).

⁷ See Donald S. Chisum, 5 CHISUM ON PATENTS § 16.03[4] (2010) (“Hence it can be argued that such users, unlike other users who eschewed the patent system in favor of trade secrecy, did not consciously act contrary to the purposes of the patent system.”). See also H.R. REP. NO. 106-464 at 121 (1999); accord, H.R. REP. NO. 106-287, pt. 1, at 31 (1999). In *Bilski v. Kappos*, the Supreme Court reviewed *State Street* but did not endorse it, even suggesting that the Federal Circuit could develop “a narrower category or class of patent applications that claim to instruct how business should be conducted.” 561 U.S. (slip op. at 10), 130 S. Ct. 3218, 3229, 95 USPQ2d 1001 (2010) (80 PTCJ 285, 7/2/10). The Court did note that Section 273 should be read in its substantive terms as not to be “meaningless.” *Id.* slip op. at 11, 130 S. Ct. at 3228. The Court, however, did not discuss or resolve constitutional questions regarding prior user rights.

⁸ See Section 5 of the H.R. 1249.

⁹ See 35 U.S.C. § 273(a), as amended.

¹⁰ See *id.* § 273(a)(1).

¹¹ *Id.* § 273(d).

¹² *Id.* § 273(e)(2).

¹³ *Id.* § 273(e)(5)(A).

³ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 489, 181 USPQ 673 (1974).

⁴ See 35 U.S.C. § 273.

⁵ See American Inventors Protection Act of 1999, which passed as a small part of an omnibus budget reconciliation bill. Pub. L. No. 106-113, 113 Stat. 1505 (1999).

the subject matter of the claimed invention could have been undertaken by the federal government.¹⁴ In its specific terms, the general exception does not apply to start-ups and small business, both of which depend heavily on raising venture capital to get over the “valley of death” between an invention and job creation.

When the amendments to Section 273 are read in conjunction with the changes to 35 U.S.C. § 102, it is apparent that the prior user defense applies only to technology that was secretly used. Any technology that was “patented, described in a printed publication, in public use, on sale, or otherwise available to the public before the effective filing date of the patent” is not entitled to patent protection.¹⁵ This public use bar applies even within one year of filing for a patent if such public use or disclosure was not made by the inventor or by another who obtained the subject matter disclosed from the inventor, unless previous to such use or disclosure the invention had been publicly disclosed by the inventor.¹⁶ As a consequence, if a prior use was somehow disclosed to the public at any time before the patent application, the discovery is not patentable. A discovery is only patentable in the face of prior use if the prior use was secret, such that any person who qualifies as a prior user under the proposed amendments to Section 273 is, in reality, a “secret prior user.”

Unlike many traditional defenses to patent infringement, the prior user defense does not invalidate the patent. The patent remains in effect, although it is no longer exclusive. A patent owner may continue to exclude the general public from use of the invention, but he must grant a free, paid-up license to users who opted to keep a discovery hidden. Amended Section 273 also extends the license far beyond an earlier inventor to purchasers of useful end products from the secret prior user regardless of when the end product was made. The secret prior user and its customers benefit from the free use of the technology and the barrier that prevents third parties from freely using the technology.

II. CONSTITUTIONAL UNDERPINNINGS FOR U.S. PATENT LAW AND THE LEAHY-SMITH AMERICA INVENTS ACT

The United States is unique in that the authority to award patents originates in the Constitution. Article I, Section 8, Clause 8 states: “The Congress shall have the Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹⁷ Because the initial authority to create a patent system lies in the intellectual property clause, the system created by Congress must satisfy the clause’s directions.

Unfortunately, there is little known history of the intellectual property clause,¹⁸ and interpretation of this clause is complicated by its structure. Unlike every other enumerated power granted to Congress, the clause has a means-ends structure, with both a “to”

clause and a “by” clause. It is the only enumerated power where the founding fathers mandated a specific mode of accomplishing the particular authority granted: that is, by securing exclusive rights for limited times to authors and inventors in their respective writings and discoveries.

III. CONGRESS PLAYS AN IMPORTANT ROLE IN CONSTITUTIONAL ADHERENCE

In January of every odd-numbered year, all newly elected members of Congress stand in their respective chambers before family, friends, and the public, and take an oath to “support and defend the Constitution of the United States against all enemies foreign and domestic,” and each member “shall be bound by oath or affirmation, to support the Constitution.”¹⁹ The significance of the oath is underscored by the fact that a term of office does not begin until an investiture ceremony has taken place.

On the first day of the 112th Congress, the House of Representatives took a further step by amending Rule XII of its Standing Rules to require that a bill or joint resolution may not be introduced unless the sponsor submits a statement for printing in the *Congressional Record* that cites the power or powers granted to Congress in the Constitution to enact any proposed legislation.²⁰ Clause 7 of Rule XII states that any resolution reported by the Committee on Rules to provide for consideration of a bill shall include a provision for a separate period of at least twenty minutes for debate on the constitutionality of the measure, provided that fifty members so request. Additionally, on the second day of the 112th Congress, a debate about whether members ever actually read the Constitution in conjunction with the oath was addressed when, for the first time in U.S. history, the Constitution was read aloud in its entirety.²¹

Commitment towards constitutional adherence by the First Branch is a positive step forward. The recent House rule changes are commendable. Separation of powers does not mandate strict and ironclad separation between the branches and permits some complementary overlap in the interest of establishing a workable system of government.²²

While conscientious consideration of constitutional questions by Congress is not dispositive of whether a public law passes muster, reviewing courts can and do benefit from a congressional inquiry and debate about constitutional issues. For example, in 1984 an *en banc* panel of the U.S. Court of Appeals for the Ninth Circuit ruled that considerable weight should be given to constitutional determinations by Congress.²³ In ruling on the ability of U.S. magistrate judges to hold civil trials, the court heavily relied upon the Congressional Record where “[t]he House Committee gave explicit consideration to the issue of constitutionality, and concluded that consent of the parties suffices to overcome objections based on constitutional grounds.”²⁴

¹⁹ U.S. CONST. Art. VI, Cl. 3.

²⁰ 157 CONG. REC. H7 (daily ed. Jan. 5, 2011).

²¹ See 157 CONG. REC. H53 (daily ed. Jan. 6, 2011).

²² See, e.g., Paul M. Bator, *Constitution as Architecture: Legislative and Administrative Courts*, 65 IND. L.J. 233, 265 (1990).

²³ *Pacemaker Diagnostic Clinic of America v. Instromedix*, 725 F.2d 537 (9th Cir. 1984).

²⁴ *Id.* at 542.

¹⁴ *Id.* § 273(e)(5)(B).

¹⁵ 35 U.S.C. § 102(a), as amended.

¹⁶ *Id.* § 102(b).

¹⁷ U.S. CONST. Art. I, § 8, Cl. 8 (the “Intellectual Property Clause”).

¹⁸ See, e.g., *Bilski v. Kappos*, *supra*, slip op. at 22, 130 S. Ct. at 3242 (Stevens, J., concurring).

With the introduction of H.R. 1249 on March 30, 2011, pursuant to Rule XII, Rep. Lamar Smith (R-Texas) identified Article I, Section 8, Clause 8 as the source of authority for the proposed legislation.²⁵ It is noteworthy that Smith, who not only chairs the House Committee on the Judiciary but also is the lead sponsor of H.R. 1249, could have identified other constitutional provisions—such as the Commerce Clause—for sources of authority, as has been done in the past for certain intellectual property statutes.²⁶

On June 1, 2011, in furtherance of Clause 7 of Rule XII of the House Rules, 50 members of the House sent a letter to the Chairman and Ranking Member of the Rules Committee, requesting at least twenty minutes of debate on the H.R. 1249's constitutionality. The Rules Committee made debate in order and, on June 22, 2011, the House had its first ever floor debate on the constitutionality of a legislative proposal.²⁷ The debate was principled and good mannered but did not permit rebuttals and replies. It also focused almost entirely on the constitutionality of moving from a first-to-invent system to a first-to-file system. Neither the debate nor the supporting materials contained any mention of the dramatic expansion of prior user rights elsewhere in the proposed legislation.

During general debate on H.R. 1249 and the amendment process, some further discussion occurred on constitutional questions. Again, comments focused on the constitutionality of adoption of a first-to-file scheme.²⁸ Although an amendment was made in order by the House Rules Committee to insert a severability clause—to clarify that, in the case of a constitutional defect, courts should sever the unconstitutional portion, leaving the rest intact—in H.R. 1249, pursuant to unanimous consent with no objection, the amendment was withdrawn.²⁹ The proposed legislation is therefore silent on severability. While it is commonplace for Congress to enact sweeping severability clauses rather than delegate decision-making to courts about how to save partially invalid statutes, the federal courts do not need a severability clause to save a statute because judicial power to sever is a key component of judicial restraint.³⁰ A general presumption exists that in the absence of a severability clause Congress still intends to delegate authority to the courts to sever. But, as regards H.R. 1249, legislative history does exist for a reviewing court to decide that Congress had severability on the table and decided to remain mute.

In making determinations about severability, the courts utilize a two-part inquiry.³¹ First, the remaining provisions in a statute must continue to be “fully operative as law” without the constitutionally-invalid provision.³² Second, if the remaining provisions are fully op-

erative, the courts will look at whether “it is evident that the Legislature would not have enacted those provisions . . . independently of that which is invalid.”³³

On these points, the statutory text and legislative history are clear. Despite the fact that the Leahy-Smith Act is a package, most (if not all) of its remaining provisions could stand on their own without the prior user rights section. However, substantial evidence shows congressional intent to link prior user rights with a first-to-file system.³⁴ In addition, large information technology companies (through their lobbying arm, the Coalition for Patent Fairness) would not have supported the legislation without Section 5—the expansion of prior user rights. Accordingly, strong arguments could be made that the House would not have passed the Leahy-Smith Act without Section 5.

In the final analysis, however historical and laudatory was the debate on the House floor, as regards prior user rights expansion and the meaning of the intellectual property clause, constitutional scholars will essentially have to look elsewhere for constitutional analysis.

IV. ASSESSING CONSTITUTIONAL DICTATES

The record of House floor debate on the constitutionality of the Leahy-Smith Act is available to the public, commentators, and reviewing courts. It is a useful starting point. Because prior user rights expansion was not in the bill, as introduced, but was later incorporated in a manager's amendment adopted by the full House Judiciary Committee and subsequently amended by a second manager's amendment on the House floor, the House committee report is silent on the constitutionality of the subject. In fact, only one House witness even mentioned the need to expand prior user rights.³⁵ He neither discussed constitutional questions nor was questioned about them. The Senate record is similarly barren on expansion issues of the magnitude of those incorporated in the House bill because no such proposal was even considered by the Senate.

Judges, scholars and lawyers will have to look to other sources in the constitutional toolbox to provide textual, interpretive, and pragmatic meaning to Article I, Section 8, Clause 8, if and when a constitutional challenge to 35 U.S.C. § 273, as amended, arises.

A. Interpreting the Structure of the Intellectual Property Clause

Courts and commentators have interpreted the distinctive language and structure of Article I, Section 8, Clause 8, in three ways. One approach holds that congressional authority rests in the second prong of the clause, and the first clause is an ineffective preamble.³⁶

²⁵ *Id.* (internal citation omitted).

²⁵ 157 CONG. REC. H2107 (daily ed. March 30, 2011).

²⁶ *See, e.g.*, Semiconductor Chip Protection Act of 1984, PUB. L. NO. 98-620, § 302, 98 Stat. 3347; Audio Home Recording Act of 1992, PUB. L. NO. 102-563, 106 Stat. 4237.

²⁷ *See* 157 CONG. REC. H4420-23 (daily ed. June 22, 2011).

²⁸ *See, e.g.*, 157 CONG. REC. H4491-92 (daily ed. June 23, 2011) (remarks of Reps. F. James Sensenbrenner Jr. (R-Wis.) and Zoe Lofgren (D-Calif.)).

²⁹ *Id.* at H4491.

³⁰ *See Ayotte v. Planned Parenthood*, 546 U.S. 320, 328 (2006).

³¹ *Free Enterprise Fund v. Public Co. Accounting Oversight Board*, 130 S. Ct. 3138, 3161 (2010).

³² *Id.* (internal citations omitted).

³³ H. REP. NO. 112-98 (Part I), 112th Cong. 1st Sess. 44 (2011) (“Many countries include a more expansive prior-user rights regime within their first-to-file system”); 157 CONG. REC. H4483 (daily ed. June 23, 2011) (“Prior user rights are important as part of our change to a first-to-file system”) (remarks of Rep. Lamar Smith (R-Texas)).

³⁴ *See Hearing on H.R. 1249, the “America Invents Act” Before the Subcommittee on Intellectual Property, Competition and the Internet of the House Committee on the Judiciary*, 112th Cong. 1st Sess. (2011) (written statement of Mark Chandler, senior vice president and general counsel, Cisco Systems Inc.).

³⁵ *See, e.g., Schnapper v. Foley*, 667 F.2d 102, 112 (D.C. Cir. 1981) (holding that the introductory language of the intellec-

In responding to this approach, commentators have noted that it ignores the fact that the first phrase of this clause parallels the structure of every other enumerated power. It “grants a power with an infinitive phrase and a corresponding direct or indirect object.”³⁷ Such a parallel sentence structure suggests that the infinitive phrase of the intellectual property clause should carry the same weight as every other enumerated power, and should not be relegated to the status of a preamble.

Moreover, as Chief Justice John Marshall stated in *Marbury v. Madison*: “It cannot be presumed that any clause in the Constitution is intended to be without effect.”³⁸ Therefore, every part of the Constitution must have meaning and should be presumed effective, and relegating certain written words in Clause 8 to lesser significance tampers with our constitutional foundations.

Accordingly, a second view of the structure of the intellectual property clause extends the idea that the grant of power lies in the second phrase but holds that the first phrase is a limitation on this power.³⁹ This view finds support in the Supreme Court’s recitation of the history of the intellectual property clause in *Graham v. John Deere Company of Kansas City*: “The clause is both a grant of power and a limitation. This qualified authority, unlike the power often exercised in the sixteenth and seventeenth centuries by the English Crown, is limited to the promotion of advances in the ‘useful arts.’”⁴⁰

Although this second view solves the problem of unjustifiably disaffecting a clause of the Constitution, it still is unsupported by the parallel construction of Article I, Section 8, Clause 8. Therefore, a third approach in interpreting the intellectual property clause is to read the first phrase as the grant of power and the second phrase as a limitation on this grant of power, as suggested by the Supreme Court in *DeepSouth Packing Co. v. Laitram Corp.*⁴¹ In declining to read an extraterritorial effect into the framer’s intent, the court explained that “[t]he direction of Art. I is that Congress shall have the power to promote the progress of science and the useful arts.”⁴²

tual property clause does not constitute a limit on congressional power); *Hutchinson Tel. Co. v. Fronteer Directory Co. of Minn.*, 770 F.2d 128, 130 (8th Cir. 1985) (“the promotion of artistic and scientific creativity and the benefits flowing therefrom to the public are purposes of the Copyright Clause, those purposes do not limit Congress’s power to legislate in the field of copyright.”)

³⁷ Lawrence B. Solum, *Congress’s Power to Promote the Progress of Science: Eldred v. Ashcroft*, 36 Loy. L.A. L. Rev. 1, 20 (2002).

³⁸ 5 U.S. (1 Cranch) 137, 174 (1803).

³⁹ See, e.g., *Figueroa v. United States*, 57 Fed. Cl. at 488, 500 (2003); Dotan Oliar, *Making Sense of the Intellectual Property Clause: Promotion of Progress As A Limitation on Congress’s Intellectual Property Power*, 94 Geo. L.J. 1771, 1782 (2006).

⁴⁰ 383 U.S. 1, 5 (1966).

⁴¹ 406 U.S. 518, 530 (1972).

⁴² *Id.* at 530; see also *Pennock v. Dialogue*, 27 U.S. 1, 19 (1829) (“While one great object was, by holding out a reasonable reward to inventors, and giving them an exclusive right to their inventions for a limited period, to stimulate the efforts of genius; the main object was ‘to promote the progress of science and useful arts.’”); *Kewanee Oil Co.*, 416 U.S. at 480 (“The stated objective of the Constitution in granting the power to Congress to legislate in the area of intellectual prop-

erty is to ‘promote the Progress of Science and useful Arts.’”).

To some extent, the difference between the second and third approaches appears to be a matter of semantics. The ultimate end goal in any patent or copyright statute is to “promote the progress of the sciences and the useful arts,” and the means by which Congress is to effectuate this end goal is through systems that secure “for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries,” i.e., systems that grant copyrights and patents. The issue of whether the first phrase is the granted power or the limitation on congressional authority is not as important as recognizing that neither phrase may be cast aside. In determining whether Congress has overstepped its authority, courts will presumably look to the entirety of Article I, Section 8, Clause 8, and determine whether a given policy satisfies all of its parts.

B. Interpreting Specific Language in the Intellectual Property Clause

To that end, there are a few choice words in the Clause that require closer scrutiny.

1. “Progress”

In the first phrase, the word “progress” has prompted recent debate. The term has not been defined by a court in the context of deciding a patent or copyright case.⁴³ The general assumption, without any discussion of the historical context, assigns a modern usage to the word. For instance, in *Graham v. John Deere Co.*,⁴⁴ the court stated, “[i]nnovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must ‘promote the Progress of . . . useful Arts.’”⁴⁵ As this sentence implies, the “Progress of Science” would “be understood as involving advances in learning or the continuation of scientific activity. ‘To promote the Progress of Science’ would be to encourage the advancement of science or to encourage scientific activity.”⁴⁶

Yet commentators have pointed out that such a definition of “progress” is redundant because “promote” also means “to advance.”⁴⁷ Moreover, scholars have researched the definition of “progress” at the time of ratification of the Constitution and determined that it actually meant “spread” or “disseminate.”⁴⁸ With this definition, the intellectual property clause grants Congress

erty is to ‘promote the Progress of Science and useful Arts.’”).

⁴³ Thurston Greene, *THE LANGUAGE OF THE CONSTITUTION: A SOURCEBOOK AND GUIDE TO THE IDEAS, TERMS, AND VOCABULARY OF THE UNITED STATES CONSTITUTION* xv, xviii (1991).

⁴⁴ 383 U.S. 1 (1966).

⁴⁵ *Id.* at 6.

⁴⁶ Lawrence B. Solum, *Congress’s Power to Promote the Progress of Science: Eldred v. Ashcroft*, 36 Loy. L.A. L. Rev. 1, 45 (2002).

⁴⁷ See Orrin G. Hatch & Thomas R. Lee, “To Promote the Progress of Science”: *The Copyright Clause and Congress’s Power to Extend Copyrights*, 16 HARV. J.L. & TECH. 1, 11 (2002).

⁴⁸ Malla Pollack, *What Is Congress Supposed to Promote? Defining “Progress” in Article I, Section 8, Clause 8 of the United States Constitution, or Introducing the Progress Clause*, 80 NEB. L. REV. 754 (2002) (“The word ‘progress’ is not a reference to the Enlightenment Idea of Progress and, thus, an anachronistic bias incapable of cabining Congress. The word “progress” means “spread.”). See also Hatch & Lee, *supra* note 47, at 8-10; Vivian J. Fong, *Are We Making Progress? The Constitution as a Touchstone for Creating Consistent Patent Law and Policy*, 11 U. PA. J. CONST. L. 1163, 1184 (2009).

the authority “to promote the [dissemination] of science and useful arts.”

Interestingly, this historical definition of the word “progress” provides a constitutional justification for the long-recognized *quid pro quo* of the patent system. “[The inventor] may keep his invention secret and reap its fruits indefinitely. In consideration of its disclosure and the consequent benefit to the community, the patent is granted.”⁴⁹ As observed by a unanimous Supreme Court, the patent system “embodies a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and non-obvious advances in technology and design in return for the exclusive right to practice the invention for a period of years.”⁵⁰ Justice O’Connor explained: “the ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure.”⁵¹ Progress occurs through technological advances and through disclosing those advances.

2. “Inventor”

A second term that must be considered in light of the proposed changes to Section 273 is the word “Inventor.” Again, courts have not dispositively interpreted this term. Nonetheless, the Supreme Court recently held that “[s]ince 1790, the patent law has operated on the premise that rights to an invention belong to the inventor.”⁵² Although much has changed since the first Patent Act, the bedrock principal that inventors have the right to patent their inventions has stayed the same.⁵³ It appears that the definition of inventor has not changed since the Constitutional Convention. For instance,

[t]he 1818 edition of Samuel Johnson’s A Dictionary of the English Language, which carries the meanings attached to words of the late eighteenth century and which was the most commonly used English language dictionary, defines “inventor” as “one who produces something new; a devisor of something not known before.”⁵⁴

Such a definition suggests that the word “inventor” in itself implies that the devisor was the first to develop

⁴⁹ *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186-87 (1933).

⁵⁰ *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 150-51 (1989) (emphasis added).

⁵¹ *Id.* at 151 (emphasis added). In *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 328 (1858), the Supreme Court held that the true policy and ends of the patent laws are set forth in Article I, Section 8, Clause 8, the source of all these laws deriving from the charge “to promote the progress of science and the useful arts.” The court explained that “[b]y correct induction from these truths, it follows, that the inventor who designedly, and with the view of applying it indefinitely and exclusively for his own profit, withholds his invention from the public, comes not within the policy or objects of the Constitution or acts of Congress. He does not promote, and, if aided in his design, would impede, the progress of science and useful arts” (emphasis added).

⁵² *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems Inc.*, 563 U.S. ___ (slip op. at 1), 131 S. Ct. 2188, 2190, 98 USPQ2d 1761 (2011) (82 PTCJ 184, 6/10/11).

⁵³ *Id.*

⁵⁴ Edward C. Walterscheid, *Priority of Invention: How the United States Came to Have a “First-to-Invent” Patent System*, 23 AIPLA Q.J. 263, 281-82 (1995).

the idea, as the current oath or affirmation within the patent system requires. Although an oath was not required in the first Patent Act of 1790, in response to the lax and chaotic patent system established under the Patent Act of 1793, Congress overhauled the patent system in 1836 and for the first time required the signing of an oath or affirmation confirming that the applicant is the “original and first inventor.”⁵⁵

3. “Exclusive Rights”

Another phrase that requires some attention is “exclusive Rights.” While the Supreme Court has never explicitly defined this term, the court has explained that Congress chose to act under the intellectual property clause and grant “exclusive Rights” by authorizing patent grants. Numerous opinions have referenced an understanding of a patent grant as a right to exclude others.⁵⁶ For example, as early as 1829, the Supreme Court explained, “What is the right of an inventor? It is the right, given to him by the law, to apply for and obtain a patent for his invention. The patent, when duly obtained, secures to him the exclusive enjoyment.”⁵⁷

In the famous 1878 *McKeever’s Case*, the U.S. Court of Claims clarified this understanding by considering whether the federal government could use patented technology without compensating a patent owner:

The language of the Constitution, on the contrary, confers upon Congress the power of “securing” “to inventors the exclusive right to their” “discoveries.” Congress [is] not empowered to grant to inventors a favor, but to secure to them a right. And the term “to secure a right” by no possible implication carries with it the opposite power of destroying the right in whole or in part by appropriating it to the purposes of government without complying with that other condition of the Constitution, the making of “just compensation.” Neither does the term “the exclusive right” admit of an implication that with regard to such patentable articles as the government may need the right shall not be exclusive.⁵⁸

The *McKeever* court squarely placed patents within the scope of private property secured under the takings clause of the Constitution.⁵⁹ Although the U.S. Supreme Court has never fully clarified the relationship between patent law and takings law, the court has held that the exclusive rights in a patent are a property right.⁶⁰ Perhaps as a nod to there being a takings issue

⁵⁵ *Id.* at 319.

⁵⁶ See, e.g., *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186-87, 17 USPQ 154 (U.S. 1933).

⁵⁷ *Pennock v. Dialogue*, 27 U.S. at 10; see also *Special Equip. Co. v. Coe*, 324 U.S. 370, 378 (1945) (“The patent grant is not of a right to the patentee to use the invention, for that he already possesses. It is a grant of the right to exclude others from using it.”); *Kewanee Oil Co.*, 416 U.S. at 480. (“The patent laws promote this progress [of Science and useful Arts] by offering a right of exclusion for a limited period as an incentive to inventors to risk the often enormous costs in terms of time, research, and development.”)

⁵⁸ *McKeever v. United States (McKeever’s Case)*, 14 Ct. Cl. 396, 421 (1878) (emphasis in original).

⁵⁹ U.S. CONST. amend V. (“[N] or shall private property be taken for public use, without just compensation.”)

⁶⁰ See, e.g., *Festo v. Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730, 62 USPQ2d 1705 (2002) (64

at least for previously granted patents, the Leahy-Smith Act specifies that the amendments made by Section 5, relating to prior user rights, shall “only apply to any patent issued on or after the date of enactment of [the] Act.”⁶¹

Nonetheless, the prospective effective date section does not cover patent applications (for which fees have been paid) that were filed before the effective date; furthermore, Section 5 does not apply in current “grace period” situations when a publication/disclosure was made one year or less before the filing date of a claimed invention. (Parenthetically, the effective date of the Act’s new grace period and first-to-file provisions, which spawned the prior user rights section, is eighteen months after the date of enactment, provided that certain conditions are met.⁶²) Confusion is not generally a constitutional issue. The judicial branch will ultimately have to resolve the applicability of the various effective date provisions. One point remains: a constitutional takings issue could arise in the future.⁶³

4. “Limited Times”

Finally, the Constitution confers Congress with ample authority to establish the duration of patent (and copyright) protection. But Congress may only grant patent protection for “limited Times” on the exclusive right to inventions.⁶⁴ Congress is empowered to extend the term of protection for patents (and copyrights) even for inventions (and works of authorship) already protected.⁶⁵ The word “limited” meant at the time of the Framing: “confirme[d] with certain bounds,” “restrain[ed], or circumscribe[d].”⁶⁶ The word means the same today: “confined within limits,” “restricted in . . . number or duration.”⁶⁷ A trade secret, in comparison to a patent or copyright, knows no duration as long as it is not generally known to the public or is subject to efforts to maintain its secrecy. Under no rhetorical sleight of hand or leap of faith could an argument be made that “limited time” means “unlimited duration.”

From a constitutional perspective, the reason for a limited term of patent (or copyright) term of protection is that after the term tolls the public domain is enlarged and the public benefits from access to knowledge. Congress is required to “allow the public access to the products of [an inventor’s] genius after the limited period of exclusive control has expired.”⁶⁸

PTCJ 98, 5/31/02); *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 642, 51 USPQ2d 1081 (1999).

⁶¹ See Section 5(c) of H.R. 1249.

⁶² *Id.*, Section 102(n).

⁶³ See, e.g., Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689 (2007).

⁶⁴ U.S. CONST., Art. I, § 8, Cl. 8.

⁶⁵ See *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

⁶⁶ S. JOHNSON, A DICTIONARY OF THE ENGLISH LANGUAGE (7th ed. 1785).

⁶⁷ WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY (1986).

⁶⁸ *Sony Corporation of America v. Universal City Studios Inc.*, 464 U.S. 417, 429, 220 USPQ 665 (1984); see Graham, 383 U.S. at 5-6 (“Congress may not . . . restrict free access to materials already available.”)

V. MEASURING THE CONSEQUENCES OF PRIOR USER RIGHTS EXPANSION AGAINST CONSTITUTIONAL TEXT

A successful defense under Section 5 of the Leahy-Smith Act does not invalidate a patent. Instead, it allows the prior user to continue using the technology, which is the subject matter of the patent, free of charge. The prior user obtains a *de facto* free license.

Consequently, much more than just a defense to patent infringement, the prior user rights are either a new form of intellectual property or a secondary patent on the technology. While the prior user rights owner has no enforcement rights of his own, he rides the coat-tails of the primary patent owner in excluding anyone else from use of the technology. In addition, the party claiming prior user rights need not have “invented” the technology in any sense of the word, and the license is extended to any end user of a product sold by the prior user.

Arguably, creation of this secondary patent system, or a new species of intellectual property right, is beyond the authority granted to Congress in the Constitution.

A. The *Quid Pro Quo* of the Patent System—Publication/Disclosure

If the *quid pro quo* of the patent system is simply a judicially-created explanation of the Patent Act, it would be well within Congress’s authority to legislate around this oft-recognized balance of disclosure in exchange for an exclusive right.⁶⁹ However, if the “progress” is interpreted as “disseminate,” Congress cannot so easily ignore the constitutional mandate.

By creating this new species of intellectual property right, Congress is weakening severely the benefit that a patent owner historically obtained in the *quid pro quo* of the patent system by eliminating the exclusivity of patent protection in favor of trade secret protection.

With this secondary patent system, Congress is strengthening trade secret protection far beyond any protection given historically. Under the current system, if an inventor obtains a patent and someone subsequently invents the same process or device, the patent holder can prevent the subsequent inventor from using the invention or extract royalties for the use of the invention; such rights of exclusion do not exist with trade secrets.

An inventor who protects her invention by trade secret has no recourse against a subsequent inventor. In addition, someone who maintains a trade secret runs the risk of losing the right to use that invention if someone else subsequently patents the invention. The Supreme Court explained:

Trade secret law provides far weaker protection in many respects than the patent law. While trade se-

⁶⁹ E.g., *Universal Oil Products Co. v. Globe Oil & Refining Co.*, 322 U.S. 471, 484 (1944) (“As a reward for inventions and to encourage their disclosure, the United States offers a 17-year monopoly to an inventor who refrains from keeping his invention a trade secret.”); *Kewanee Oil Co.*, 416 U.S. at 480. (“In return for the right of exclusion . . . the patent laws impose upon the inventor a requirement of disclosure.”); *J.E.M. Ag Supply Inc. v. Pioneer Hi-Bred International Inc.*, 534 U.S. 124, 142, 60 USPQ2d 1865 (2001) (63 PTCJ 132, 12/14/01) (“The disclosure required by the Patent Act is the *quid pro quo* of the right to exclude.”) (internal quotation omitted).

cret law does not forbid the discovery of the trade secret by fair and honest means, *e.g.*, independent creation or reverse engineering, patent law operates ‘against the world,’ forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof. Where patent law acts as a barrier, trade secret law functions relatively as a sieve.⁷⁰

The Leahy-Smith Act decreases the sieve of trade secret law by eliminating the risk of losing the right to use the invention in the face of a patent. As long as the use was “commercial” and began more than a year prior to filing of the patent application, the secret prior user can continue using the technology indefinitely and free of charge.

In addition, the secret prior user gains secondary patent protection because during the life of the patent he secures a competitive advantage over any third-party competitors who did not have access to the technology or who did not commercially use the technology for more than a year prior to the filing of the patent application. The third-party competitor faces a barrier to entry created by patent protection, and again the secret prior user gains this competitive advantage free of cost. However, it is not cost free to the patent owner.

At a minimum the inventor bears the cost of protecting the technology by drafting and prosecuting a patent application. More likely, the inventor has expended considerable time and resources developing the technology and preparing to take steps to license the technology or bring it to market. Unfortunately, the existence of a secret prior user may make the patented invention worthless. One can imagine numerous costly scenarios:

- A patent owner may have expended the resources to develop technology and gain a patent in anticipation of entering a market with a competitive advantage over the existing market participants only to discover that an existing market participant is a secret prior user. With no competitive advantage, the patent owner may be unable to gain market share against established market participants.
- Likewise, a patent owner who develops and patents technology in anticipation of licensing the technology to current market participants, but later discovers that one of them was a secret prior user, may find the other participants unwilling to pay for a license or willing to pay only token royalties.
- Finally, if a patent owner chooses to enforce his patent rights against non-prior users in the market and expends even more sums on litigation, the secret prior user benefits from the litigation, regardless of the outcome. The secret prior user’s competitors will face significant litigation costs and potential judgment, with the secret prior user spending no money to protect the technology.

⁷⁰ *Kewanee Oil Co.*, 416 U.S. at 489-90 (footnotes and internal citations omitted).

In each of these scenarios, the costs fall on the patent owner, while the secret prior user enjoys the bulk of the benefits.

By shifting the benefits to trade secrecy, Congress will have significantly changed the quid pro quo of the patent system. Not only does the Leahy-Smith Act incentivize secrecy by providing greater protection to those who have chosen the path of nondisclosure, but those who instead choose disclosure receive a far lesser reward.

B. Advancing Innovation

Even if the originalist definition of the word “progress” is not accepted, there are strong arguments that the changes to prior user rights are unconstitutional because they will stifle innovation—the advancement of the useful arts. The Supreme Court has held that in effectuating a patent policy, Congress has considerable leeway. “Within the limits of the constitutional grant, the Congress may . . . implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim.”⁷¹

Indeed, the court has held in the context of copyright law that statutes in this area require only a rational basis review.⁷² In analyzing the constitutionality of legislation relating to patents, the U.S. Court of Appeals for the Federal Circuit has also applied rational basis review.⁷³

Although it is difficult to find a law unconstitutional under a rational basis review, judicial review of Section 273 would still be worthwhile. While any impact of the extension of prior user rights is unknown at this time, logic suggests that it will stifle innovation.

Big businesses pushed for expansion of prior user rights based on unfounded concerns of patent mills reverse engineering minor changes in existing products. These businesses paint a picture of a world where Large Company makes small tweaks to its products, miniscule changes that are not valuable enough to expend resources obtaining a patent. Elsewhere, Inventor A discovers this small change in the technology and files a patent because Inventor A recognizes that the new technology is valuable as a means of extorting royalties from the Large Company.⁷⁴

The problem with this story is that the patent system already protects Large Company against this possibility by requiring the filer of the patent to “invent” the technology. Large Company has numerous defenses at its disposal.

If Inventor A simply reverse engineered Large Company’s product and discovered the modification through that process, Inventor A would not be an inventor and would not be entitled to a patent. Of course, Inventor A may obtain a patent anyway, but Large Company could defend against an infringement lawsuit by proving that Inventor A is not an inventor and that the patent is therefore invalid.

Large Company could also raise a defense of inequitable conduct. While the burden of proof is more difficult with these historical defenses because the evidence

⁷¹ *Graham*, 383 U.S. at 6.

⁷² See *Eldred v. Ashcroft*, 537 U.S. at 204-05.

⁷³ See *Figueroa v. United States*, 466 F.3d 1023, 1032 (Fed. Cir. 2006).

⁷⁴ See written statement of Mark Chandler, *supra* note 35, at 5.

must be obtained from the patent owner, such a burden is not insurmountable. Moreover, the up-front costs to Inventor A of reverse-engineering technology, filing a patent, and enforcing that patent through a trial are a significant deterrent to proceeding along this path.

These historical defenses were not only adequate to protect against the imagined patent mills, but they are better for society than a prior user defense because they invalidate the patent and allow free dissemination of the technology. If the Large Company instead uses a prior user defense, the patent mill could continue to exclude others from using the patented technology.

On the other side of the coin, universities, start-ups, other small businesses, and independent inventors have a fear that prior user rights will severely interrupt the innovation process. The small entities worry that the unknowable existence of prior user rights will stifle the ability to obtain financing to file a patent or to bring a product to market, or to license patented technology.

As explained above, in order for the prior user defense to be successful, the prior user must have kept use of the technology secret. In this regard, an inventor has no way of knowing about the existence of secret prior users. When an inventor sits down to negotiate financing to file a patent, any counterparty will immediately discount the value of the patented technology as a result of this unknowable threat to exclusivity.

Based on these scenarios, it is not clear how prior user rights satisfy the constitutional requirement of promoting innovation, should the clause be so interpreted, and there are strong arguments that the amended Section 273 would thwart the constitutional purpose. Common sense suggests that increasing the protection for secrecy will decrease the dissemination of ideas and slow innovation.

In addition, this change slows innovation by decreasing the need for workarounds. Where in the past a secret prior user might have experimented to avoid patent infringement, potentially discovering cheaper or more efficient technology with a free paid-up license, the secret prior user has no need to design around the patented technology.

Moreover, the risk of secret prior users will discourage scientists from collaborating or even discussing promising discoveries in casual conversations. Where a discovery has any commercial viability, an inventor will have to use the utmost caution in protecting the value of the technology prior to filing a patent application.

C. Granting Protection to a Non-Inventor by Eliminating the Exclusive Rights in a Patent

The unknowable threat to exclusivity is in itself contrary to the plain language of the intellectual property clause. This clause specifically states that Congress's power in this area is effectuated through a mechanism of "securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."⁷⁵ The amended Section 273 creates two constitutional concerns: (1) it secures extensive rights to non-inventors, and (2) it eliminates the exclusivity of a patent grant.

As explained above, by covering the sieve of trade secret law, Congress has created a new species of intellectual property protection. Congress has decreased the

risk that a secret prior user will lose the right to technology and provided such a user with free competitive advantages.

Yet Congress did not require that the secret prior user invent the technology in any sense of the word. Congress only required commercial use of the technology in the United States one year prior to the filing of the patent application.

Although the intellectual property clause does not specifically mention patents, nor does it require Congress to establish a system of granting patents, it is not clear that this clause grants Congress the authority to create a system that grants something other than patents. Protection for non-inventors defies the purpose of the intellectual property clause—limiting Congress's authority to grant monopolies. As explained by the Supreme Court:

The grant of a patent is the grant of a statutory monopoly; indeed, the grant of patents in England was an explicit exception to the statute of James I prohibiting monopolies. Patents are not given as favors, as was the case of monopolies given by the Tudor monarchs, *see The Case of Monopolies* (Darcy v. Allein), 11 Co. Rep. 84, b., 77 Eng. Rep. 1260 (K.B.1602), but are meant to encourage invention by rewarding the inventor with the right, limited to a term of years fixed by the patent, to exclude others from the use of his invention.⁷⁶

While a secret prior user does not necessarily gain a monopoly through the new protection created under the Leahy-Smith Act, but must share the market with the patent owner, he gains market power never previously contemplated for a non-inventor. The secret prior user enjoys a share of the monopoly power previously secured only by a patent owner.

This forced division of the monopoly power eliminates the sine qua non of a patent—the ability to exclude others.

The patent law is the execution of a policy having its first expression in the Constitution, and it may be supposed that all that was deemed necessary to accomplish and safeguard it must have been studied and provided for. It is worthy of note that all that has been deemed necessary for that purpose, through the experience of years, has been to provide for an exclusive right to inventors to make, use, and vend their inventions.⁷⁷

The proposed amendments to Section 273 eliminate the exclusivity of a patent. With this change, inventors will no longer have the security of "exclusive Rights" in their discoveries; the potential for a secret prior user will hover over every discovery.

Thus, by providing secret prior users with secondary patent protection, Congress has overstepped the bounds of the intellectual property clause in two ways: granting a share of monopoly rights to non-inventors and eliminating the exclusivity previously secured to the inventor.

⁷⁶ *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229, 140 USPQ 524 (1964) (footnote omitted).

⁷⁷ *Continental Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 423 (1908) (citing cases stating the same proposition).

⁷⁵ U.S. CONST. Art. I, § 8, Cl. 8 (emphasis added).

D. Granting Protection for Unlimited Times

By expanding the prior user rights defense to all patented products and processes and by enlarging patent exhaustion, the Leahy-Smith Act permits trade secret owners to preserve their secrets in the face of a patent that has been infringed. Upon a bona fide showing of prior use under the specified conditions in the proposed legislation, the trade secret owner receives “co-exclusive” rights with the patent owner.

The trade secret owner need not show prior art, only prior use. The patent owner has a term of protection that lasts for a “limited” time. But the trade secret owner has a right that may last for an unlimited term.⁷⁸

In cases involving trade secrets, it is typical for judges to issue protective orders sealing any and all documents that could publicly reveal a trade secret.⁷⁹ Even if sued for patent infringement, a secret prior user could consequently avoid disclosing trade secrets, so that to the extent a technology is disclosed through the patent, the public would not learn of the prior secret user’s use of the patented technology.

And to the extent that the technology used by the secret prior user is not identical to the technology disclosed in the patent, the secret prior user would maintain the trade secrets indefinitely, although the extra barrier to entry that the secret prior user obtained through the patent would expire at the termination of the patent. It is entirely possible, however, that the technology used by a secret prior user could be covered by more than one patent. In this situation the secret prior user would enjoy the secondary patent benefits for an unlimited time through the lives of numerous patents owned by others well beyond a simple and limited twenty-year period.

Overall, nothing in the proposed legislative text indicates that the trade secret has a limited term of protection or proceeds into the public domain after a term has tolled. Congress has expertise in drafting. If the prior user right was intended to have a limited term, Congress would have included that language in the proposed legislation.

The trade secret will therefore exist indefinitely as long as it is not generally known to the public and its secrecy is maintained. If Congress was intending to add a federal proviso to or otherwise preempt state trade secret laws to the effect that after invocation of a prior user right the secret has become public, statutory language could have done so. In light of legislative silence, by rooting Section 5 of H.R. 1249 in the intellectual property clause, Congress has arguably failed to respect an express constitutional limitation and therefore has exceeded its authority.

In the final analysis, the meaning of statutory words must be measured by the text of the Constitution along with history, context, purposes, and consequences.⁸⁰ Congress cannot circumvent constitutional words with silence, smoke, and mirrors. As explained by Justice Antonin Scalia for a unanimous court in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, any attempt by Congress to use the intellectual property clause to create a

mutant perpetual intellectual property right fails constitutional analysis.⁸¹

Conclusion

Congress has recently manifested its commitment to constitutional text and principles. Concern about constitutional adherence is commendable. It has become crystal clear—if it were not already clear—that in enacting legislation pursuant to its delegated authority in Article I, Section 8, Clause 8, Congress has substantial amplitude provided that it respect constitutional dictates.

Nonetheless, as in Hamilton’s sage words quoted at the outset of this article, any act of a delegated authority that exceeds the constitutional provision under which it is exercised, is void: “No legislative act, . . . contrary to the Constitution, can be valid.”⁸²

The sponsor of the Leahy-Smith Act identified Article I, Section 8, Clause 8, as the constitutional source of authority for enactment of the proposed legislation and for a provision (Section 5) that will arguably cause a substantial risk that holders of patentable inventions will not seek patents but will rely instead on secrecy, an area historically governed by state laws. In clear statutory text, the Act invites reliance on secrecy instead of disclosure.

Broadening the prior user right from limited and problematic business method patents to all patents will chill publication/disclosure with serious consequences to the progress of science. The intellectual property clause does not authorize Congress through the expansion of “secret” prior user rights to confer co-exclusive rights on non-inventors who may exploit their rights indefinitely.

⁸¹ 539 U.S. 23, 37 (2003).

⁸² The intellectual property clause clearly confers authority on Congress to enact patent legislation. In no way, however, does the clause require that patent legislation be enacted. The Constitution is permissive and “[t]he sign of how far Congress has chosen to go can come only from Congress.” *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530, 173 USPQ 769 (1972). In light of the welfare of the community, Congress may determine what is protectible and what is not protectible, including limitations, defenses, and exceptions to exclusive rights. When Congress has the power to grant either complete exclusivity or no protection at all, Congress often chooses a middle ground. Compromise may have negative connotations to some, but it is a reality of political life. In historical fact, Congress has, for example, created compulsory (statutory) licenses where exclusive rights are tempered (see, e.g., 17 U.S.C. §§ 111, 119 and 122), statutory limitations such as fair use in copyright law (17 U.S.C. § 107), and defenses such as innocent infringement in trademark law (15 U.S.C. § 1114(2)). Some may argue that this essentially is what has occurred for Section 5 of H.R. 1249, averring that it is just a political compromise like many made by Congress, which have never been held unconstitutional. Yet based on the Supreme Court’s explanation of the differences between patents and copyrights, this argument may be a stretch. See *Eldred v. Ashcroft*, 537 U.S. at 216-17 (discussing the differences in disclosure objectives and exclusivity of a patent and a copyright). For further analysis of the constitutionality of compulsory licenses, see 1 NIMMER ON COPYRIGHT §§ 1.06(C), 1.07 (2011). To reiterate a point made (see notes 36-42, *supra*, and accompanying text), the intellectual property clause is clearly a power and a limitation on the exercise of power. Congress has broad authority to establish balances in patent and copyright law, but in so doing it must still respect and give effect to every part of the Constitution, especially express limitations on its authority.

⁷⁸ H.R. 1249 could have clarified that the prior user right is contemporaneous to the patent term in question. The bill is silent on this point.

⁷⁹ See, e.g., Fed. R. Civ. P. 26(c).

⁸⁰ Stephen Breyer, MAKING OUR DEMOCRACY WORK: A JUDGE’S VIEW 217 (2010).

As recently observed in a Congressional Research Service report to the Congress, patent reform “confronts Congress with difficult legal, practical, and policy issues.”⁸³ Prior user rights expansion adds a constitu-

⁸³ Wendy H. Schacht and John R. Thomas, *Patent Reform in the 112th Congress: Innovation Issues*, CONGRESSIONAL RESEARCH SERVICE R41638 (April 21, 2011) at 35.

tional dimension. It has taken Congress seven years to process historic patent reform legislation. Even with enactment of historic reform, it will take many more years to resolve whether Congress respected its constitutional role.