

# EXHIBIT 2006

business method patents were categorically exempt from patentability. Specifically, the Court held that a “conclusion that business methods are not patentable in any circumstances would render §273 [of title 35] meaningless.” *Bilski*, 130 S. Ct. at 3228. But the section 27 study is readily distinguishable from the substantive prior user rights defense codified in title 35 referenced in *Bilski*. A “gene patent” may or may not be valid, and that has no impact on the USPTO study, which mentions the existence of gene patents issued by the USPTO (but still subject to a validity challenge), but focuses on the effect of patents and exclusive licensing of genetic diagnostic tests, regardless of whether there are relevant patents. This study will be useful and informative for policymakers no matter how section 101 of title 35 is interpreted by the courts.

There has been some question about the scope of patents that may be subject to the transitional program for covered business method patents, which is section 18 of the Leahy-Smith America Invents Act. This provision is intended to cover only those business method patents intended to be used in the practice, administration, or management of financial services or products, and not to technologies common in business environments across sectors and that have no particular relation to the financial services sector, such as computers, communications networks, and business software.

A financial product or service is not, however, intended to be limited solely to the operation of banks. Rather, it is intended to have a broader industry definition that includes insurance, brokerages, mutual funds, annuities, and an array of financial companies outside of traditional banking.

Section 34 of the Leahy-Smith America Invents Act requires a study by the Government Accountability Office, GAO, on the consequences of patent infringement lawsuits brought by non-practicing entities under title 35, United States Code. The legislation requires that GAO’s study compile information on (1) the annual volume of such litigation, (2) the number of such cases found to be without merit, (3) the impact of such litigation on the time to resolve patent claims, (4) the related costs, (5) the economic impact, and (6) the benefit to commerce.

Following the House passage of H.R. 1249, the Comptroller General expressed concern that Section 34 may require it to answer certain questions for which the underlying data either does not exist, or is not reasonably available. Where that is the case, I want to make clear my view that GAO is under no obligation to include or examine information on a subject for which there is either no existing data, or that data is not reasonably obtainable. Further, GAO is not required to study a quantity of data that it deems unreasonable.

In my view, GAO can satisfy its requirements under section 34 by com-

pling reasonably available information on the nature and impact of lawsuits brought by non-practicing entities under title 35 on the topics outlined in section 34(b). Where it deems necessary, GAO may use a smaller sample size of litigation data to fulfill this obligation. GAO should simply note any limitations on data or methodology in its report.

I ask unanimous consent to have printed in the RECORD a letter from Gene L. Dodaro, Comptroller General of the United States, detailing GAO’s possible limitations in complying with section 34.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

UNITED STATES  
GOVERNMENT ACCOUNTABILITY OFFICE  
Washington, DC, September 7, 2011.

Hon. PATRICK J. LEAHY, *Chairman*,  
Hon. CHARLES E. GRASSLEY, *Ranking Member*,  
*Committee on the Judiciary, U.S. Senate*.  
Hon. LAMAR S. SMITH, *Chairman*,  
Hon. JOHN CONYERS, Jr., *Ranking Member*,  
*Committee on the Judiciary, House of Representatives*.  
Hon. JASON CHAFFETZ,  
*House of Representatives*.

I am writing to express our concern regarding a provision relating to GAO in H.R. 1249, the Leahy-Smith America Invents Act. Section 34 of the bill would require GAO to conduct a study of patent litigation brought by so-called non-practicing entities, that is, plaintiffs who file suits for infringement of their patents but who themselves do not have the capability to design, manufacture, or distribute products based on those patents. As the Supreme Court and Federal Trade Commission have noted, an industry of such firms has developed; the firms obtain patents not to produce and sell goods but to obtain licensing fees from other companies.

The GAO study required by H.R. 1249 would mandate a review of: (1) the annual volume of such litigation for the last 20 years; (2) the number of these cases found to be without merit after judicial review; (3) the impacts of such litigation on the time required to resolve patent claims; (4) the estimated costs associated with such litigation; (5) the economic impact of such litigation on the economy; and (6) the benefit to commerce, if any, supplied by such non-practicing entities.

We believe this mandate would require GAO to undertake a study involving several questions for which reliable data are not available and cannot be obtained. In the first instance, the mandate would require identification of non-practicing entities that bring patent lawsuits. While some information about these entities may be obtainable, a definitive list of such entities does not exist and there is no reliable method that would allow us to identify the entire set from court documents or other available databases. Moreover, quantifying the cases found to be meritless by a court would produce a misleading result, because we understand most of these lawsuits are resolved by confidential settlement. Similarly, there is no current reliable source of information from which to estimate the effects of litigation by such entities on patent claims, litigation costs, economic impacts, or benefits to commerce. Further, because GAO does not have legal access to these private parties, we would have to rely on voluntary production of such information, a method we believe would be unreliable under these circumstances and would yield information that is not likely to be comparable from entity to entity.

Finally, empirical estimates of the effects of patent litigation on various economic variables would likely be highly tenuous. Measures of the cost of litigation or other variables related to quantifying patents or litigation would be highly uncertain and any relationships derived would likely be highly sensitive to small changes in these measures. Such relationships are likely to lead to inconclusive results, or results so heavily qualified that they likely would not be meaningful or helpful to the Congress. In that regard, we understand recent regulatory efforts to determine the economic and anti-competitive effects of such litigation have not been successful.

We appreciate your consideration of this matter and we would be happy to work with your staff regarding potential alternatives. GAO could, for example, identify what is currently known about each of the specific elements identified in Section 34. Managing Associate General Counsel Susan Sawtelle, at (202) 512-6417 or [SawtelleS@gao.gov](mailto:SawtelleS@gao.gov), or Congressional Relations Assistant Director Paul Thompson, at (202) 512-9867 or [ThompsonP@gao.gov](mailto:ThompsonP@gao.gov), may be contacted regarding these matters.

Sincerely yours,  
GENE L. DODARO,  
*Comptroller General of the United States*.

Mr. LEAHY. The America Invents Act is now going to be the law of the land. I thank all my colleagues who worked together on this.

The PRESIDING OFFICER. The Senator from Washington is recognized.

Ms. CANTWELL. Mr. President, rising in opposition, this is not a patent reform bill, this is a big corporation patent giveaway that tramples on the rights of small inventors. It changes “first to invent” to “first to file,” which means if you are a big corporation and have lots of resources, you will get there and get the patent.

Secondly, it doesn’t keep the money where it belongs. It belongs in the Patent Office. Yet, instead of having reforms that will help us expedite patents, it is giving away the money that is needed to make this kind of innovation work.

Third, the bill is full of special giveaways to particular industry corporations, as we have just witnessed with votes on the floor.

Fourth, by taking away the business patent method language, you will make it more complicated and have years and years of lawsuits on patents that have already been issued. If this is job creation, I have news for my colleagues; in an innovation economy, it is siding with corporate interests against the little guy. I urge a “no” vote.

Mr. LEAHY. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on the third reading and passage of the bill.

The bill (H.R. 1249) was ordered to a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is. Shall the bill pass?