

The Limited Monopoly™

“The Patent Reform Act of 2007” – Whose Reform Is It?

by John Hammond, PE and Robert Gunderman, PE

New Patent Laws Are Pending

This past September, the U.S. House of Representatives passed H.R. 1908, also known as “The Patent Reform Act of 2007.” The Senate version of the bill, S. 1145¹ is now awaiting further action. If this pending legislation is passed in its present form, it will result in some of the most significant changes in patent law in over 50 years.

Key Provisions of S. 1145

Big changes often mean big controversy, and S. 1145 is stirring up plenty. The key provisions of the bill are as follows:

- A change from “first to file” instead of “first to invent,” i.e. a patent shall be awarded to the first party to file a patent application, rather than to the party that can prove the earliest date of invention. (“First to file” is the practice of almost all other countries, and is advocated by some for “harmonizing” U.S. law with the rest of the world.)
- Publication of *all* patent applications at eighteen months from filing date.
- A post-grant review process that will make it easier for a patent to be challenged outside of court after it has issued.
- Changes to apportionment of damages when a party is found to infringe a patent. Damages would be limited to the “incremental” value an invention adds to a product.

Supporters of the bill are primarily very large corporations within the financial services and information technology sectors. The IT companies in particular sell products and services that include or rely upon the integration of hundreds or even thousands of subcomponents. Currently, an infringement lawsuit over a single component can be a major business disruption and expense. So they are particularly advocating for reforms that would reduce their risk of infringement.

Opponents of the bill cover a broad spectrum of businesses, universities, and other organizations, such as the ABA, the AFL-CIO, and the National Association of Patent Practitioners. In the private sector, the bill is widely opposed by pharmaceutical and biotech companies (large and small), and by a range of small-to-medium technology-based companies and their trade associations. They believe that the proposed reforms would damage their competitiveness by excessively weakening patents and making them too difficult and expensive to obtain.

As of this writing, according to a staffer of Senator Charles Schumer, S. 1145 is currently in deliberations within the Senate Judiciary Committee. A full Senate vote is possible “in early 2008.”

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Editorial Comment – Our View

We are opposed to these proposed new laws. Yes, there are some issues with our patent system. The Patent Office is flooded with applications. The backlog is huge, and it takes too long to get applications examined. Examiners are spread too thin, and can’t always spend enough time on every application. Sometimes, some prior art remains undiscovered in a search, and a patent issues that shouldn’t have.

Yet there are fixes possible that don’t require the drastic provisions that the new laws would impose. The Patent Office needs to hire, train, and retain more examiners, and it is already working to do so. To support this effort, patent applicants’ fees should be applied solely to USPTO operations, and not diverted to support

burdensome search provisions are all clearly detrimental to independent inventors, and small-to-medium sized technology businesses. These are the drivers of our economic growth, and they need to be accorded a level playing field.

We also don’t buy the supporters’ argument that “global harmonization” of our patent laws is crucial to American competitiveness. Quite the contrary, we would argue that a significant facet of America’s creativity and technological prowess has been a patent system that affords intellectual property rights to all – the independent inventor, the small high-tech startup, and the Fortune 500 multinational corporation.

Moreover, it seems that the greatest beneficiaries of harmonization could well be other countries – and that hasn’t escaped their notice. Case in point: in a July 2007 article² on IndiaTimes.com, titled “Local cos can eye patents in the US,” author Gireesh Prasad leads off with the assertion, “A crucial bill making its way through the US Congress is set to give a new inexpensive option for Indian drug makers to attack the patents that give monopoly rights to top-selling MNC brands in the largest pharmaceutical market.” That seems disconcerting to us, to say the least.

If It Matters to Your Business, Speak Up.

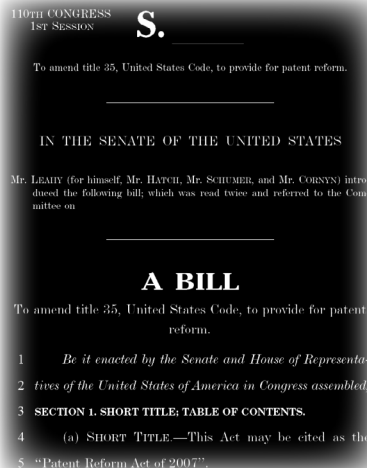
If patents are or may someday be a critical asset to your business, make your voice heard. Take some time to study the issues – a little online searching of “The Patent Reform Act of 2007” will uncover material from both sides, as well as plenty of commentary from the bloggerati. Come to your own conclusions. Then let our Senators Clinton and Schumer know where you stand. Your business may depend on it someday.

1. Available online at <http://tinyurl.com/2hbjjv>
2. Full article available at <http://tinyurl.com/36zj6d>

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other government budget shortfalls as has occurred in the past.

We believe that the post-grant review provision is particularly bad, as it could lead to serial challenges to issued patents – with associated expenses that most small businesses could not sustain. There already are adequate existing provisions for post-grant opposition in the Patent Office, ex-parte and inter-parte reexamination. Additionally, recent major court decisions have already weakened patents significantly, and Patent Office rule changes that will likely be implemented in some form in the coming year will also have a major effect. More time is needed to understand the results of these changes before undertaking any major and potentially risky reforms.

The “first to file,” mandatory publication, post grant review, and