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Patent Law

Patent Reform

It's Too Bad Our Patent Legislators Did Not Take a Cold Shower

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When members of Congress talked about fixing the patent process, it was a recipe for frustration . . . or worse. It reminded me of how finding the right temperature on an unfamiliar faucet can be so hit-or-miss. If the water is too hot, my chances of adding just the right combination of cold water will take time, good luck and, perhaps, a high threshold for pain.

And, yet, that's precisely what the patent reform legislation signed by President Obama does. Instead of supporting the U.S. Patent and Trademark Office with the resources it (and our economy) need, the America Invents Act of 2011 is a patchwork reaction to the complaints and pressure of a few corporate giants that will almost certainly make matters worse.

Instead, it would have been better for the patent process and for our economy if lawmakers had practiced restraint and gave the USPTO the tools it needs to improve the quality – not merely the quantity – of the job it is charged to do.

The Courts Had Begun a Correction

In many ways, the seeds for a better, fairer, patent process had already been planted. The U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit had, over the last several years, handed down major decisions affecting patent law.

It will take additional time, however, for the lower courts to interpret and set forth case law under those decisions. By modifying the patent law now, Congress has denied itself the opportunity to *see* how the law would have developed.

A Chilling Effect

An unintended consequence of the America Invents Act will be to add to the incentives to infringe that already exist. The new bill encourages infringers to grab market share before an innovator can become established, paying only what may eventually be awarded through litigation. One thing that is certain is that there will be a reduction in the pace of invention, innovation, and economic growth at a time when our nation can ill afford it.

This patent bill makes a bad situation worse. It contains additional mechanisms for corporate infringers to play Heads I Win, Tails I Break Even.

Tilting the Playing Field

The Reform Act's first-to-file provisions will promote a race to file, putting independent inventors at an even greater disadvantage with competitors who would claim the work of another and with

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large corporations that have the resources to begin later and finish sooner. Under these circumstances, independent inventors might rush to file a premature application, risking incomplete or inadequate protection down the road.

The current, first-to-invent approach has served the country well. It lets independent inventors perfect their inventions and go to market without undue concern that another party will stake a claim to their inventions.

The "free pass" given to infringers who practice inventions in secret is a step backward from the Constitution's original bargain of a limited exclusive right in exchange for publication. It is that step of publication that has enabled the propagation of knowledge and led to innovation that has driven the U.S .economy forward.

Higher Priorities for Congress

Congress could have addressed the massive backlog of 1.2 million patent applications awaiting examination by the USPTO, more than half of which have not had even a first review.

The *Wall Street Journal* reported recently, for example, that it took the USPTO five years to *begin* review of a patent filed by tech entrepreneur Steve Perlman and another three before the patent was approved, a combined timeline that has nearly doubled on average since the mid-1990s. According to the newspaper, "Perlman says some investors wouldn't take a chance on his company because of the delay."[1] Hiring additional examiners and providing them with updated tools would fix this all-too-typical delay and allow technology firms such as Perlman's to attract more venture capital.

Letting the USPTO Retain Fees for Operating Expenses

The USPTO could have been completely self-funded if Congress had stopped diverting patent fees to other purposes (more than $750 million since 1992) and had given the USPTO authority to invest – with proper oversight – its own revenues into hiring and training personnel to speed up the patent examination process.

While it will be a slow and difficult process, the USPTO needs to expand the background, training, and expertise of its examiner corps. The mismatch between examiners' backgrounds and the subject matter of many patents, especially in an area as vital to the creation of jobs as information technology, is a significant factor in the backlog and delays. In addition, by strengthening its expertise, the USPTO will substantially reduce the number of patent claims prone to litigation.

The Reform Act fails to correct this, continuing to handicap the USPTO in hiring and retaining skilled examiners and in making the capital investments necessary to improve patent quality.

Conclusion

Congress could have created millions of jobs at a fraction of the cost per job of the government's $787 billion stimulus plan. A financially stable, self-funded USPTO would have been able to reduce the backlog of patent applications, hire people with the right expertise, speed up the time taken to grant patents, and improve the quality of future patents. We can only hope that corrections to this pooorly conceived legislation will occur before too much damage is done.

Paul B. Schneck, Ph.D., is chairman of Rembrandt IP Management, LLC. He is a distinguished scientist in computing and supercomputers and has written dozens of scientific articles as well as an inventor of two patents cited by more than 450 different subsequent patents.

[1] Don Clark, *A Tech Entrepreneur's Eight-Year Patent Wait, Wall St. J.*, Dec. 15, 2010, http://blogs.wsj.com/venturecapital/2010/12/15/a-tech-entrepreneurs-eight-year-patent-wait/.