TechRoadmap Directions

Intellectual Property Issues of Interest to High Tech Companies

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We would be happy to schedule a visit to your facility to help you review the good and not so good IP practices you use. Sign up on our web site with the link below.

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Proposed Patent Reform Act

* Limits the patentee's ability to get injunctions;
* Makes it easier to challenge bad patents by creating a post-grant opposition system;
* Changes the U.S. patent system to a "First Inventor to File" system;
* Eliminates the "best mode" requirement;
* Imposes a duty of candor on all associated with patent proceedings;
* Limits scope of willful infringement;
* Regulates continuation applications;
* Creates a universal 18-month publication rule;
* Allows third parties to submit prior art.

IP Links of Interest

- **US Patent Office** A host of useful, official information.
- **EKMS, Inc.** A strategic IP management partner of TechRoadmap.
- **The Patent Cafe** An on-line portal for IP matters.
- **AlvaMed, LLC** A medical device consulting company we work with.
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Welcome

This month's *Directions* takes a turn away from the usual "lessons learned" format. Instead, particularly in light of some proposed changes in the Patent law, I want to discuss an interesting book I recently completed.

The book is Innovation and Its Discontents, by Jaffe and Lerner. The authors, economists, suggest that two "administrative/procedural" changes in the Patent laws in the '80's have fallen victim to the law of unintended consequences and have lead to a "broken" patent system in the US. Interestingly, the major remedies they suggested in 2004 are now incorporated in a bill before Congress filed in early June. Read "Better Patents - at What Cost?" for my take on the matter.

• Who's manning the watchtower?

If the proposed changes in the Patent Law are implemented it will become increasingly important to monitor published patent applications for potential bars to your freedom to operate.

Acting as your Director of Intellectual Property, TechRoadmap can take on that responsibility and let your organic resources concentrate on product and business development.

• Better Patents - at What Cost?

Jaffe and Lerner (J&L), in Innovation and Its Discontents, claim that the formation of the Court of Appeals for the Federal Circuit (the single appeals court for patent cases), combined with the conversion of the PTO into a self-supporting agency, has created a US patent system so heavily weighted to patent holders and so overloaded that "inventors" are filing for, receiving, and enforcing a multitude of poor, weak, or invalid patents. They see a positive feedback loop that is **making the situation progressively worse**. As a remedy, J&L recommend a number of patent quality control steps driven by those with the most economic interest in breaking the positive feedback loop - you, the companies stymied by these bad patents.

J&L hypothesize the primary cause of this problem is the establishment of the CAFC. The CAFC, in their judgment, has repeatedly decided cases and promulgated standards overly favorable to patent holders. [This is arguable, of course] Unlike the district courts, the CAFC's decisions are the standard for the whole country; thus, **the current leanings of the CAFC provide an incentive for all inventors to patent prolifically**.

The second half of the loop is the PTO's need to be self-supporting. Even in the face of the CAFC-driven increased application load the PTO has become a government profit center - that is, resources that should be spent on examining applications are being siphoned off. **The resource deficit at the PTO, J&L state, has led to bad patents being issued in large numbers**. The CAFC's decisions, coupled with the presumption of validity for these poorly examined patents, yield a broken system in which peanut butter and jelly sandwiches and methods of swinging on a swing are valid, patented inventions until and unless someone (read YOU) are willing to risk your profits in a court test. Unfortunately, J&L contend, **most companies just pay for blackmail licenses.**

Whether or not we agree with J&L on the causes of the problem, I think **we can all agree that there is a patent examination quality problem**. Like an office action stating that my client's buoyant (floating) flap was "anticipated" by a patent using a hydrofoil (dynamic lift) flap. What patent examination "war stories" do you have? I'll publish (anonymously) any interesting ones you send me.

J&L proposed three major changes in our patent system; institute a **pre-grant opposition** procedure, institute an **effective post-grant re-examination** process, and **use judges or special masters to decide technical issues** of novelty and obviousness. They also urged greater and more effective resources for the PTO. Interestingly, it has been reported that Congressman Lamar Smith (R-TX) introduced the Patent Reform Act of 2005 in early June including these (and other) changes (*see sidebar*).

J&L argue that these reforms don't favor the large corporate inventor who has resources from profitable product lines. I disagree. Tell me if you have the time (money) to monitor published patent applications for ones that might affect your business, to review the applications to see what prior art you might know of, to gather that prior art, and to submit it? Similar questions apply to post-grant re-examination requests. Do you think it is more likely for large corporations to use these tools to make it harder for small companies to obtain patents? Who do you think "first to file" favors (the small but focused entrepreneur or the well-resourced corporate scientist/engineer)?

Let me know your thoughts - I'll be meeting with one of the authors Thursday night!

• Disclaimer

Nothing in this newsletter should be construed as legal advice. TechRoadmap serves as an interface between companies and their legal counsel.