

## The Government's Three Pronged Assault On Patent Rights

by Bill Loginov '85

When the DEN invited me to write a *brief* article dealing with intellectual property (IP), I welcomed the chance. I had just completed a chapter on IP for a book summarizing the major changes in law for 2007. I figured that I would simply condense the chapter for this article. Well, it was a tall order as the book's editor just informed me that mine was the largest chapter, which fairly well reflects the degree of actual and proposed change in the US Patent System this year. Patents are a key asset in many start-up enterprises, opening the door to competitive advantage and investment capital. From that standpoint, the management of innovative small startups has cause to be concerned about the proposed reform package. The patent system as we have known it for decades is under direct attack from all the three branches of government.

Many are probably aware that the legislative branch (Congress) is debating, and the House has passed, a sweeping Patent Reform Act. This act would change many fundamental US principles governing how and to whom patents are awarded. At present, a patent is generally awarded to the first *inventor*. The new Act would make the US a *first-to-file* nation. Under first-to-file, the patent award goes to the party who wins the "race to the Patent Office" with the first complete application to be filed, regardless of who invented first. Naturally, such a system tends to favor larger corporations with big IP budgets and patent attorneys on call. Smaller, less-well funded startups may not be in position to get those patents filed so quickly.



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Less well known is the judicial branch's recent attack on the patent system, mainly through a series of cases decided by the Supreme Court, and the lower court that deals with patent appeals, the Court of Appeals for the Federal Circuit (CAFC). In brief, the Court has potentially made more inventions "obvious", making it less likely that new inventions will be patentable over earlier developments (called "prior art"). Many inventions are evolutionary, not revolutionary. Now, fewer evolutionary concepts—the *better mousetraps* on which startups are often based—may be patentable under the new standard. Other decisions weaken business method patents, make it harder to collect punitive damages for *willful* patent infringement, and alter a host of other accepted patent doctrines. These cases all seem to have the common goal of thwarting the efforts of so-called patent "trolls" who are believed to abuse the patent system by acquiring rights from other patent holders simply to sue a brick-and-mortar company for infringement. Think of the *Blackberry*® case.

The least known, but potentially most damaging attack comes from the executive/administrative branch via the US Patent and Trademark Office (USPTO) itself. On November 1<sup>st</sup>, the USPTO would have enacted new Rules that severely restrict the number of invention claims permitted in any new *or already pending* application (when there was no prior limit to claim numbers), and restricted the number of related applications that could be filed off a given application. Limits on the number of times that an application can be examined were provided in the Rules. A number of other complex restrictions and changes were also included in the Rules—all with the stated goal of reducing the workload on the examining corps. Only the Government would solve a staffing problem by reducing its business and customer base! Fortunately the new rules were stayed by the Court on the eve of enactment. But we must presume that some form of these Rules will eventually pass. We must be ready for the eventuality and most practitioners now take these Rules into account when drafting patent applications.

So how should an enterprise, particularly a small one, proceed on the patent front in the next year? The Patent Reform bill is currently being debated by the Senate, so consider calling your elected representatives, and ask them to rethink so-called Patent Reform. I would also advise conducting more pre-filing patentability (prior art) searches to narrow the scope of the claimed invention and better the chances of gaining a patent in view of the Rules and/or new obviousness standard. Finally, consider filing well-drafted provisional patent applications to allow for earlier filing and a wider range of claims. More on this provisional strategy in an upcoming article.

