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Before the
Senate Committee on Small Business & Entrepreneurship
"An Examination of Changes to the U.S. Patent System and
Impacts on America's Small Businesses"
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Chairman Vitter, Ranking Member Shaheen, and members of the Committee on Small Business and Entrepreneurship, it is my great pleasure to testify before you today on issues related to our nation's patent system, which fuels America's innovative spirit and serves as a major driver of job creation and economic growth.

I am currently a partner and co-chair of the Intellectual Property Group at Drinker Biddle and Reath, having retired from my position as Commissioner for Patents at the United States Patent and Trademark Office (USPTO) in December 2011. I spent 29 years at the USPTO rising from a patent examiner to head the office that handles US legislative and international intellectual property issues for the Administration before becoming Commissioner for Patents.

I share your passion for helping ensure that small and independent inventors can benefit from the fruits of their labor and their creative talents.

Small businesses and independent inventors are critical to revolutionary advancement of American technology. They file over 20% of the applications at the USPTO, and their patents are more likely to encompass breakthrough inventions, rather than incremental change, as they have the incentive and the flexibility to take risks that might be unacceptable for larger, established enterprises. Small businesses and independent inventors are the incubators of novel ideas and the source of inventive products that they develop or which they license or sell to others. Many large successful companies throughout our history have started from meager beginnings. Hewlett-Packard began in a garage where its first product, an audio oscillator, was built. That garage was used for many years as a research lab and is now a private museum known as "the birthplace of Silicon Valley".

Patents are a critical tool for small businesses to elbow their way into the market. Anyone who has ever watched "Shark Tank" is aware that one of the first questions an investor asks is whether the inventor has patent protection. A well- functioning patent system is of particular importance to small businesses, which to succeed often need both venture capital and the means to protect an innovative market niche.

Mr. Chairman, I applaud your leadership in introducing with Senator Baldwin, the Grace Period Restoration Act of 2015 (S. 926), a bipartisan bill to protect American inventors and university researchers. By restoring a more workable grace period, S. 926 will permit small inventors to

obtain rights in the United States if they file shortly after a disclosure; and if other countries model this, it can become part of our international system. The ability to get claims that are obvious variants to the original disclosure will permit more collaboration and early publication that are important to the university community and prevent an inventor's disclosure from being used as a reference against her patent claims if the application is filed within one year of the disclosure.

In both the Senate and House, other work aimed at making the US patent system fairer and more efficient for all stakeholders continues. Members of the House Judiciary Committee, led by Chairman Goodlatte and Ranking Member Conyers, have considered the Innovation Act (HR 9) and the Innovation Protection Act (HR 1832), a measure that would preserve the resources the USPTO needs to fulfill its mission. At the same time, Chairman Grassley, Ranking Member Leahy and other members of the Senate Judiciary Committee have been working on the bipartisan PATENT Act (S 1137). And Senator Coons has proposed changes to the post grant procedures at the USPTO in the STRONG Patents Act (S 632).

In parallel to the legislative debate, the courts have considered cases raising some of the very same issues Congress is examining. Octane Fitness v. Icon Health and Highmark, Inc. v. Allcare were both handed down by the Supreme Court last year and loosened the "objectively baseless" standard to deal with harassing lawsuits to permit judges to award attorney's fees more liberally, if, in their judgment, the suit was frivolous.

The Supreme Court is also poised to hear cases contemplated by other legislative proposals on the Hill. Halo Electronics, Inc. v Pulse Electronics, as well as Stryker Corporation, et al v. Zimmer, Inc ., both deal with the issue of enhanced damages, and Cuozzo Speed Technologies, LLC v. Michelle K. Lee addresses the standard of claim construction at the USPTO and the reviewability of the institution of an Inter Partes Review procedure. All three of these cases have recently been granted cert.

At the end of 2015, the courts instituted rules that require more detail in pleadings, and the USPTO has undertaken more quality initiatives to blunt the problems of having improvidently granted patents used to harass small businesses.

Other recent Supreme Court decisions are further shaping the patent landscape. Some have argued that the Court's decisions impacting subject matter eligibility in Association for Molecular Pathology v. Myriad Genetics, Mayo Collaborative Services v. Prometheus Labs and Alice Corp. v. CLS Bank International have presented challenges for lower courts and for patent holders. The Court intended these decisions to be narrowly construed. But we are currently seeing about 70% of patent claims challenged under the subject matter eligibility statute invalidated with even higher percentages invalidated in the USPTO post grant procedures. The effects of these decisions as they are being applied by the lower courts are limiting the availability of patents in core technologies -- areas of computer implemented programs, diagnostic methods and personalized medicine – and thereby limiting the ability of innovators to provide value to consumers, build their businesses, and grow. These cutting edge fields are the very technologies in which the United States leads the world. The Supreme Court will have

several opportunities to clarify the impact of their decisions as more cases having real world impacts work their way through the system. It is important for America that we get this right.

As a result of the recent patent subject matter eligibility cases in the US, if a claim is drawn to a law of nature, a natural phenomenon or an abstract idea, it is not patentable subject matter if elements of the claim do not add "substantially more". In Europe, claims must have "technical character" and in China claims must have a "technical feature distinctive from the prior arts". So these other countries have broader subject matter eligibility than we do!

While Congress has considered a range of legislative reforms, the other branches of government have also been moving forward with challenges confronting the patent system.

As changes occur through the courts and administrative action, we can now take time to study the development of case law and rules, and analyze how they are affecting the system. Much work has already gone into exploring legislative solutions, and Members of the Senate and House are to be commended for their efforts.

Hearings like this one provide the opportunity to collect more information and will lead to legislation that will further improve the patent system and lead to more job creation and economic growth.