



IEEE-USA Tells Congress that Patent Reform Is Essential to Economic Recovery

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.....IEEE-USA, the IEEE arm that addresses intellectual property policy issues, has filed a statement with Congress calling for patent reform. Asserting that IEEE's ranks of 215,000 engineers, scientists, and allied professionals in the US include the innovators whose creativity has been responsible for much of the American economy's strength, IEEE-USA argued that US financial recovery depends on the ability of US companies to create, manufacture, and sell new products.

But that ability has been impaired, IEEE-USA maintains, because the current management of the Patent and Trademark Office (PTO) and the statutory limitations on the agency's authority have resulted in serious "disincentives to American inventiveness." The organization insisted:

An increasingly overburdened and inefficient patent system is stifling the creation and growth of both new businesses and jobs by threatening the financial rewards available to innovators. If left unaddressed by cogent legislation, the patent system is likely to evolve into one that is harmful to US inventors and businesses. IEEE-USA urges patent reform legislation to continue supporting Constitutional aims and incentives, to permit, encourage, and reward Americans who choose to become innovators, and to assure a state of

stability sufficient to permit planning and investment.

(This statement assumes, without explanation, that increasing the financial rewards that the patent system provides to patent owners will cause a comparable increase in innovation and growth of business and jobs. Whether that should be accepted on faith is unclear. Moreover, the proposed increased financial rewards for patent owners will have to come from somewhere—presumably from higher prices. But maybe the system is not zero-sum, and rather is win-win. Let's hope for the best.)

Halfway measures will not do, IEEE-USA says, and it added:

We believe that the proper way to remediate systemic problems requires fixes that address the root cause(s). A collection of ad hoc palliative measures does not address the underlying systemic problem(s) and promotes uncertainty as well as unintended consequences.

IEEE-USA's position statement therefore calls on Congress to amend US patent law in several ways to meet the needs of the patent system's users and thereby advance the interests of the US public. The first several proposals would require the PTO to enhance presently inadequate patent quality by adopting several internal administrative

measures. Others address the present structure of the US patent system. The following are IEEE-USA's main proposals (with my comments interspersed).

The PTO should establish metrics and independent review of PTO internal operations and quality.

"The PTO must be held accountable," IEEE-USA says, "when an unwarranted patent is issued, as well as when a warranted patent is not issued." It is unclear how this accountability would be effectuated. Presumably, flogging the guilty is not a realistic prospect. The mechanism for determining what is "warranted" might also be a tall order. This is a good idea, but one that is difficult to carry out.

Change the PTO examiner incentive structure.

"Examiner performance should be evaluated by an objective review that considers allocation of examiner time based on the number of an applicant's claims, their complexity, and the time necessary to review the materials." This seems pretty reasonable. But, again, implementation might be difficult.

Modernize the PTO fee structure.

"The use of electronic filing and credit card payment provides reason to implement a scaled fee structure that correlates with the effort needed to perform a quality examination, with reasonable documentation."

This too sounds quite reasonable, in principle, but incorporating it into a

patent reform bill seems infeasible. Moreover, the target is constantly moving. Leaving the matter to PTO regulations would seem far more feasible, but the position statement is opposed to any expansion of PTO rule-making authority.

The statement then turns to patent law issues outside the PTO and its operations. Here, the statement paints with a broader brush.

Congress must clarify software patentability. Patents "must be available for software-based inventions meeting traditional standards of novelty and nonobviousness." Congress must "draw clear lines" regarding software patentability and infringement liability that promote innovation, rather than confuse or discourage it. "Such clarity will help provide incentives for companies and individual inventors to develop new ideas in the US."

For those who have been following the debates on this over the last 40 years, as recounted since about 1980 in *IEEE Micro*, this statement is a heap of glittering generalities and misguided assumptions, stirred with misguided enthusiasm for oversimplification. The statement assumes, moreover, that commercial incentives (such as marketplace rewards for being first in the market) are insufficient in the software field, yet for many years that has been

the principle stimulus in the development and marketing of software.

Congress should consider alternatives to patent protection for fast-moving technology.

"For some fields of technology, an adjunct to patents that protects against 'knocking off' the technology in a new product may provide satisfactory protection at lower cost to the inventor, while lessening the pressures on the patent system." This has been an IEEE-USA pet project for decades. Among the hard-to-resolve problems are what standard, presumably short of the inventive level standard of regular patents, for giving protection should apply; and would such a system be unconstitutional because it conflicts with the patent clause's limitation of patent protection to inventions by inventors? To the extent that this proposal would just expand what is removed from public access, rather than provide an alternative that carves out for a new legal regime for some of the technology that now clogs the system, the idea could worsen the situation. If this were a proposal for computer software, and not a proposal for 10-year patents on trivial gadgets, it might well belong in a reform package. To the extent that we are talking about software, however, the project would be difficult

and time-consuming—unless it were to be done badly and in a slap-dash manner.

Congress should not try to fix the patent damages system. "While it would appear simpler to apportion damages based on the actual or potential commercial activity, and the total number of inventions involved" in the technology for a given product, "the courts must be allowed the flexibility to direct damage awards based on assessments of the value of the infringing invention(s)." This sound like a plea for Congress not to do anything about damages. This is an odd component of a reform package, but it should be judged on its merits. They are not clear, because of the IEEE-USA position paper's brevity.

The IEEE-USA Intellectual Property Committee developed the position statement for IEEE-USA. The statement "represents the considered judgment of a group of US IEEE members with expertise in the subject field." The statement specifically warns, "The positions taken by IEEE-USA do not necessarily reflect the views of IEEE or its other organizational units."

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Micro News

Patent Reform Act of 2009

Both the Senate and House have before them slightly different bills with the same title, Patent Reform Act of 2009. The proposed legislation is in many ways similar to that proposed in 2008, but both bills differ from the previous ones, as well as from present law. Major changes include:

- *First to file.* This system bases invention on the filing date of the patent application rather than on the date of actual invention. Magazine articles published prior to the filing date are prior art even if the invention occurred earlier.

- *Damages.* The court must consider the invention's "specific contribution over the prior art" to determine damages. The effect would probably be to reduce future patent infringement awards.
- *Patent litigation venue.* Suits can no longer be brought anywhere in the US where the infringing product is sold. This is a blow against the widespread practice of suing in the Eastern District of Texas, where juries are notoriously liberal with verdicts for plaintiffs. One commentator (Patently-O blog) has criticized this provision because it would "weaken the value of patents."

The Senate Bill is sponsored by Senators Leahy (D-VT) and Hatch (R-UT). Representative Conyers (D-MI) introduced similar legislation in the House. Reps Manzullo (R-IL) and Michaud (D-ME) issued a joint press release titled "New patent bill encourages IP theft, destroys American jobs." Their main objection was about the damages provision.

An end to the Rambus skullduggery saga?

On 23 February 2009, the US Supreme Court denied the Federal Trade Commission's *certiorari* petition, thus apparently ending the long Rambus skullduggery saga.