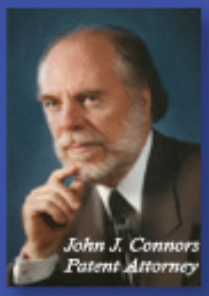
IP Law Briefs
Connors & Associates, PC
An attorney network serving inventors and entrepreneurs since 1983
1600 Dove Street, Suite 220, Newport Beach, California 92660
(949) 833-3622. Fax: (949) 833-0885
E-mail: ipbriefs@connorspatentlaw.com



www.connorspatentlaw.com

Inaugural Issue – Fall 2007

Dear Clients, Colleagues and Friends:

We are initiating this periodic newsletter to alert you of important developments in intellectual property law, the most troubling of which is the so-called "comprehensive patent reform" legislation that is rapidly moving through Congress, with the House having passed H. R. 1908 on September 9, 2007.

The American patent system is an open system, which allows people from all walks of life to participate in the "American Dream" at a cost that is affordable by inventing and patenting a product that the public wants. Compared to other nations, the American patent system grants the strongest patent rights in the world for protecting inventions, thus encouraging investment in innovation. The proposed changes, outlined below, would make the American patent system essentially equivalent to foreign patent systems, which are much less favorable to small businesses, entrepreneurs, and independent inventors.

The incentive to invest in inventions fostered by strong United States patents has nurtured our economy, the most dynamic in the world, and made us the world's technology leaders. It is vital for the continued health of the *American Spirit of Invention* and *Free Enterprise* that you speak out against the dangerous changes being proposed that will weaken our economy, favoring transnational corporations over those companies that do business primarily in the United States.

IF H. R. 1908 BECOMES THE LAW, UNITED STATES PATENTS WILL BE DEVALUED, THERE WILL BE MANY UNINTENDED ADVERSE ECONOMIC AND SECURITY CONSEQUENCES, AND THE GROWING PATENT APPLICATION BACKLOG WILL ONLY INCREASE.

We are strongly recommending that our clients—and anyone else wishing to maintain America's technology leadership—***oppose enactment of Senator Leahy's Companion Senate Bill S. 1145*****.** Here are the facts. The S.1145 and H.R. 1908 patent bills call for:

1. A *first-to-file system* rather than a first-to-invent system;
2. The *elimination* of the grace period that gives an inventor one year to file a patent application after the first public use, offer to sell, or publication of his or her invention;
3. The publication of *all* United States patent applications even through a patent may never be granted;
4. An *administrative hearing* in the Patent Office (called an opposition) *rather than a jury trial* as a means of challenging the validity of a granted United States patent; plus
5. Several other provisions *diminishing damage awards* that will further devalue a United States patent.

A first-to-file system encourages applications to be filed covering an invention that is inadequately developed. Thus, instead of spending money on testing the invention to confirm its viability, the money will be spent on attorney fees and filing costs. Moreover, the elimination of the one-year grace period means the invention cannot safely be tested in the public marketplace. Currently, an inventor can perfect his or her invention before filing a patent application and trust they are protected if first to invent. This time-tested and uniquely American standard has resulted in only a few hundred pending disputes over who is the first inventor.

Our international competitors' patent systems are modeled after the German patent system that evolved during the 19th century under that nation's military-industrial economy, which was dominated by cartels. Clearly, these cartels biased the German patent system to favor their interests; namely, that the German system and others like it are not based on a fair bargain of a patent in exchange for public disclosure. The patent application is published, effectively destroying any trade secrets, and the patent may never be granted. Even if granted, it may be opposed and revoked in an opposition conducted in the patent office without a jury trial. Applications may be filed in the name of a corporation. And the most ***inequitable*** and ***Anti-American*** feature is this: the first one to file is granted the patent instead of the first to invent. Consequently, there is no one-year grace period.

I went to Washington D. C. in 2006 and 2007 with the Orange County Business Council's delegation to urge California's representatives to oppose this legislation. Congressman Rohrabacher, a Republican, has been especially helpful, and has spoken out on the House floor in opposition to H.R. 1908 and voted against it. So did Congressman Baca, a Democrat. ***This is a non-partisan issue.*** Unfortunately, Senator Feinstein apparently supports S. 1145.

A delegation from the Orange County Business Council met in 2006 with Senator Diane Feinstein (fourth from left). Mr. Connors is shown second from left.

Photo courtesy of Orange County Business Council

I suspect that Senator Feinstein and others in Congress have been misled by a lobbying and public relationship campaign paid for by a consortium of transnational corporations that have conspired to sell a *phony* story to many members of Congress that the American patent system is broken. The truth is that the courts are doing their job, but the Patent Office is malfunctioning. Here's why:

(1) There is a backlog of about 800,000 patent applications, which means the average time to patent grant is at least three years, and, in some cases, in excess of five years.

(2) The number of new patent applications filed annually is rapidly approaching 500,000, and a patent examiner is on average allowed only about 20 hours to examine an application regardless of its length or complexity. Given the shortfalls of budgeting and staffing, the Patent Office will, in a few short years, be unable to do the job that inventors and the public expect from it.

(3) To the disadvantage of inventors, the Patent Office is in the process of changing its rules to limit the number of claims and the number of continuation applications that can be filed. This is a vain effort to reduce its backlog. Clearly, one way to avoid the anticipated crushing backlog is for Congress to avoid imposing on the Patent Office the excessively burdensome task of conducting post-grant oppositions. The resources of the Patent Office should be devoted to training the examiner corps and focusing their efforts on greater efficiency by simplifying the rules to expedite examination and reduce the burden on *both* the applicant and the examiner.

The backlog problem has been created over at least the last 16 years by diverting fees collected by the Patent Office to other branches of government and mismanagement by both Democratic and Republican administrations. Sadly, S.1145 and H.R. 1908 do nothing to fix the situation in the Patent Office. The proposed changes will only compound this problem by switching to a first-to-file system and mandating that oppositions be conducted in the Patent Office.

Another OCBC delegation visited members of Congress in the spring of 2007. SEC Chairman Christopher Cox is shown in the center. Mr. Connors is at the far right.

Photo courtesy of Orange County Business Council

In the European Patent Office about 7% of the granted patent applications are opposed. The number of U. S. patent applications filed will soon be 500,000 annually, with the number of patents being granted approaching 50% of the filed applications. Assuming the same proportion as encountered in the European Patent Office, the U. S. Patent Office should reasonably expect to be handling about 17,500 new opposition cases annually-this in the face of the office's huge backlog. Moreover, these oppositions are adversarial proceedings deciding disputed factual issues; a job Patent Office personnel are unsuited to perform and that is now reserved to the province of a jury. The result will be a specialized corps of high paid bureaucrats, ***rather than a jury***, who will take an unknown amount of time to decide cases, further increasing the backlog. These bureaucratic elites will make a judgment without the benefit of live testimony to evaluate witness credibility, and after reviewing stacks of papers representing deposition testimony and legal arguments prepared by armies of lawyers hired by a Goliath competitor or competitors (they can gang up) to break the granted patent.

In many cases, the legal costs associated with oppositions will prohibit small businesses and independent inventors from enforcing their patents. The proposed legislative changes, if enacted, will also create an additional hurdle for entrepreneurs to jump that just might be too high, since prospective investors will be reluctant to advance money in launching a start-up business based on an invention when the patent may be bogged down in an opposition while Goliath competitors freely compete with an infringing product or service. Many contingent fee trial lawyers will now accept a patent case because there is a good chance they can get the case to a jury, giving small businesses, entrepreneurs, and independent inventors a real opportunity to enforce their United States patents. An opposition will be a major deterrent to such contingent fee patent litigation.

In the final analysis, an opposition proceeding is not needed. It would only expand the patent bureaucracy and delay enforcing patents. It is being proposed because of alleged deterioration in the quality of United States patents being granted. If this is true (which is highly debatable), the lack of quality needs to be overcome by the Patent Office doing a better job of examination. (Don't close the barn door after the horse has escaped.) Only commercially important patents are asserted anyway, and through the litigation process they have their validity tested where the facts are determined by a jury in accordance with over 200 years of American patent law jurisprudence. Much of this established law will be set aside if S.1145 and H.R. 1908 become the law. Some Big Tech Firms and Big Banks don't like the current situation and assert that "trolls" are making them unfairly pay royalties because their high-tech products or services may be covered by many patents. They assert that this creates a barrier to innovation. They are disingenuous! Such Big Tech Firms often assert hundreds of patents against infringers. The number of pending patent lawsuits does not indicate that the federal courts are overloaded. Quite the contrary! *The statistics strongly support the view that the patent enforcement component of the American patent system is working*:

> (1) The average number of patent lawsuits filed annually, including declaratory judgment suits involving a claim of patent infringement, is only a few thousand and is only gradually growing.
>
> (2) The average number of such lawsuits going to trial annually is less than about 10% of those filed.
>
> (3) In recent decisions addressing standards of patentability, issuance of injunctions, "willfulness," and other important areas, the Supreme Court and the Court of Appeals for the Federal Circuit continue to monitor the patent system and balance the interest of the patentee and the alleged infringer.
>
> (4) And, as the courts have almost always done, they set aside large jury verdicts—for example, the $1.5 billion judgment against Microsoft—that are not supported by the evidence.

I urge you to write your Senator to oppose Leahy S.1145.

Attorney John Connors, right, shown with Congressman Dana Rohrabacher at a social event discussing the pending patent legislation.

New Rules

Very important changes in the Patent Office rules concerning claiming and continuation applications go into effect November 1, 2007. More on these new rules in the coming issues of this newsletter.

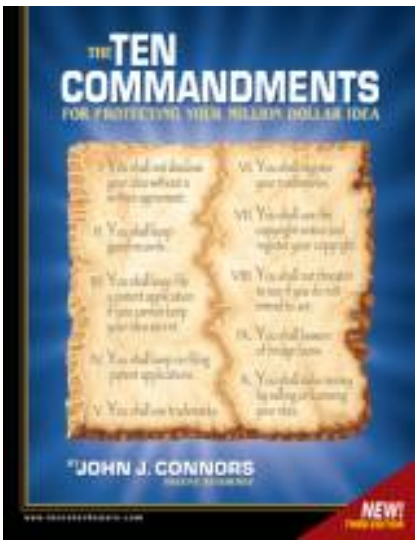
Electronic Publication

All future issues of *IP Law Briefs* will be published electronically and distributed by email. If you wish to be added to our emailing list, please send your email address to mailto:ipbriefs@connorspatentlaw.com.

Sincerely,

John J. Connors
Patent Attorney

Here's a book that both attorneys and inventors will appreciate



The revised and enlarged third edition of my book, ***The Ten Commandments for Protecting Your Million Dollar Idea***, is now available. Not only is it a working "bible" for every inventor who wants to obtain a patent on an invention, but it's also a condensed guide to copyright and trademark procedures, and it contains every form needed to complete all three processes. It's a "must" for every library where an IP title belongs.

It's available in two versions — a 248-page softcover printing ($24.95) and a downloadable electronic book ($19.95) that you can store and call up from your computer — and you can see all the details and read excerpts from the book by visiting either www.inventorbeware.com or www.connorspatentlaw.com.
Take a moment right now and see for yourself.
