REWARDING INNOVATION

Patent reform misses the mark

Multi-tier system is needed for the 21st century

By Alexander Poltorak

The Patent Reform Act of 2010, being debated in the 111th Congress, promises to be another legislative fiasco because the "reforms" it proposes are not real reforms. Rather, the draft bill (S. 515) recently reported out of the Senate Judiciary Committee is a compromise between big computer companies (the so-called "Gang of 15," which includes the likes of Microsoft and Intel) and Big Pharma. Universities, independent inventors and small businesses – America's true inventors and job creators – were almost totally squeezed out of the discussions. In four years of hearings, the Judiciary Committee did not invite a single inventor to testify.

The resulting bill, if passed, will weaken our patent system, making patents less valuable and more difficult to enforce, and ultimately will hurt national innovation and job creation.

The inexplicable thing about the Patent Reform Act is that it does not even attempt to address the most fundamental problems in our patent system. Conceived by the Founding Fathers, with its source in the U.S. Constitution, the patent system reflects the economic realities of the Industrial Revolution – not the knowledge economy of the 21st century.

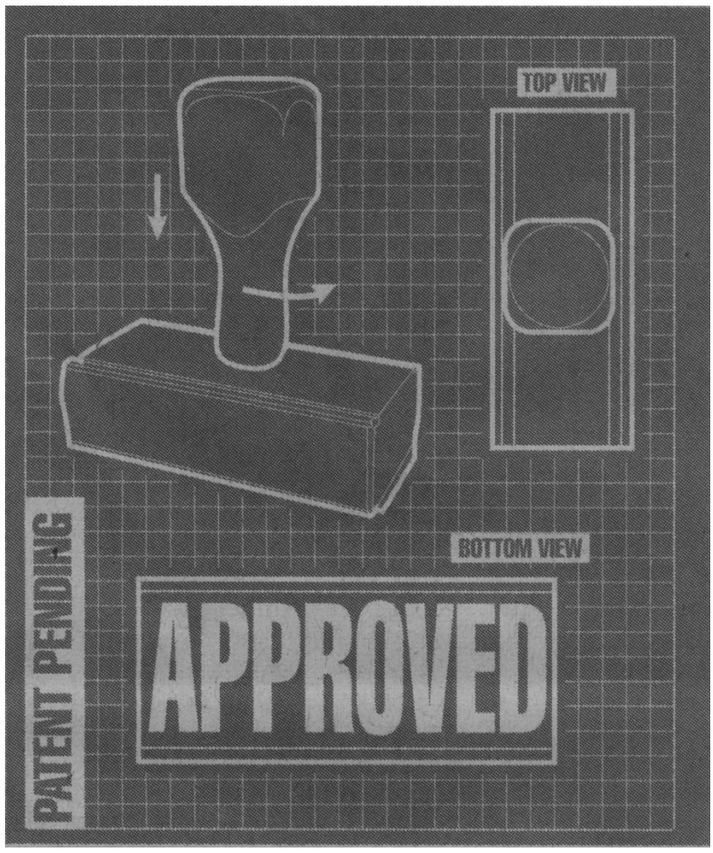
Its most outdated feature is the uniform patent term that patent law applies to inventions in all industries, regardless of the product life cycles prevalent in those industries. A patent today grants the same 20-year term to both a new drug and a computer invention. This one-size-fits-all approach no longer works. We need different terms of exclusivity for different industries with radically different product life cycles and a Patent Office that is capable of examining patent applications within one year.

Another fundamental problem of our patent system, which, incidentally, stems from the same one-size-fits-all approach, is the problem of patent quality or, more specifically, the problem of obviousness. For an invention to merit patent protection now, it must pass essentially two tests: novelty and non-obviousness.

Novelty is straightforward: If the product in question has not been invented by someone else, it is considered novel. That means the patent examiner was not able to find a single reference, such as a patent or a publication, describing every element of the claimed invention. But what if the examiner finds some of the elements in one reference and other elements in another reference or several other references predating the invention, which are called prior art? The question then becomes one of obviousness. The examiner must decide whether the invention would have been obvious for a person of ordinary skills in the art to conceive of the invention in light of the prior-art references and general state of knowledge at the time of conception of the invention. This question is what puts patent lawyers' children through college.

There is no bright line rule in patent law to determine what is obvious. The Patent Office applies the same yardstick of obviousness to inventions that are true breakthroughs, such as the invention of a laser or a semi-conductor, and to mere improvements that make old products work better. A new kitchen gadget or a minor technological improvement is not on par with a brand-new biochemical compound that promises the cure of AIDS or cancer. Nor should such inventions receive the same rights. We need a multi-tier patent system that applies different examination standards and awards different rights to different levels of inventiveness. After all, a patent is quid pro quo for invention disclosure. Our society benefits from such disclosures, which accelerate the progress of science and technology. In return, society rewards the inventor with patent rights. Needless to say, different inventions benefit our society to different degrees.

There is nothing novel about multi-tier patent systems. In Germany, for example, an inventor of a lesser invention can apply for a Gebrauch patent. In Australia, such a "junior" patent is called a "petty patent," and in most countries of Europe and the Far East, they are called "industrial models." With some minor differences, the common denominator among these patent regimes is that they all have a two-tier system, which allows for a "senior" patent that is given a more rigorous examination and is awarded greater rights, and a "junior" patent, which is subjected to a less rigorous examination and is awarded lesser rights. The two-tier patent system prevalent in most industrial countries is the simplest example of a multi-tier patent system, which allows for several levels of patent protection.



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The U.S. would benefit greatly from a shift to a multi-tier patent system with two or even three levels of patent protection: junior, regular and senior. The Patent Office would award junior patents to minor improvements. Examiners would inspect such inventions only for novelty and not consider the non-obviousness question. The application fees would be small and the examination time short. Such a junior patent would have no exclusionary rights (the right to a permanent injunction) but would entitle its owner to collect a small royalty from infringers through compulsory licensing. It would have a short term, perhaps five years.

The Patent Office would only grant a senior patent for a significant breakthrough invention. It would subject the application to a peer review and a thorough examination. A senior patent would enjoy exclusionary rights and the longest patent term of 20 years. Everything in between would fall into an ordinary patent as we know it now, with its muddled status of non-obviousness.

A multi-tier approach would not solve the obviousness problem entirely, but it could reduce it considerably. With about 70 percent of patents awarded to minor improvements, which may qualify for junior-patent status and 10 percent of inventions qualifying for senior-patent status, only the remaining 20 percent of applications would be considered for a regular patent award – where most ambiguity occurs. Thus, this solution, albeit imperfect, would reduce the obviousness problem by a whopping 80 percent. That means it would improve patent quality by 80 percent (by reducing the ambiguity in issued patents). Moreover, elimination examination for non-obviousness for junior-patent applications would significantly reduce the workload and the 1.2 million patent application backlog in the Patent Office.

This rather obvious solution to the obviousness problem would constitute real patent reform. It needs to be part of the legislative discussions.

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