

file - Joe *Epe*
Statement of Senator Birch on S. 1679, the Patent
Law Amendments Act, Senate Judiciary Committee, November 30, 1979

Today the Senate Judiciary Committee is holding a day of hearings on S. 1679, the Patent Law Amendments Act, which I introduced on August 3, 1979. This bill provides an inexpensive alternative to litigation in patent validity cases by allowing the Patent Office to consider new data that might have been overlooked during the initial patent examination and determine whether or not the patent should have been issued. This legislation will reduce litigation, and also give the courts the option of referring those cases that are litigated to the Patent Office for reexamination as an aid in making an informed decision on the patent's validity.

I introduced this legislation because of my conviction that a strong, dependable patent system is absolutely essential to our continued ability to innovate to meet the challenges of the future. I have frequently cited such factors as our slow productivity growth rates, the decline in American patent applications since 1974, and the feeling of distrust in the business community over the worth of U.S. patents as contributors to the present innovation and productivity crisis. While it is difficult to pinpoint something like an innovation slump in scientific terms, I think that our importation of foreign manufactured goods to the tune of \$6 billion last year speaks for itself. This is the second largest drain on our hard earned dollars right behind imported oil! Yesterday's Washington Post ran an article entitled "Productivity Declines for Quarter" which went on to say that rather than experiencing a modest gain in productivity which had been predicted last month, the U.S. suffered its third straight quarterly drop in productivity. Unless forceful actions are taken soon to turn this situation around we will continue to witness our dollars and jobs slipping

away to foreign countries.

In virtually every assessment of this disturbing trend that I have seen the patent system is cited as a special concern of the American businessman and inventor. The present weaknesses in our patent system mean that our Government is no longer able to uphold its agreement with an inventor that in exchange for disclosure of new inventions the inventor's rights will be protected. All too often the granting of a U.S. patent turns out to be an invitation to endless litigation as competitors pull out all of the stops to invalidate or infringe on an important patent. Small businesses and independent inventors are especially susceptible to this threat, but the delays and expenses inherent in litigation can make patent infringements economically attractive even against large businesses. The possibility of such actions being taken against inventors who have come up with important discoveries and make the person who plays by the rules a tempting target who can be preyed on with little risk and often great economic rewards.

All too often patent holders find themselves in lengthy court proceedings where valuable patents are challenged on the grounds that the patent examiner missed pertinent data during the initial patent search. District court judges are asked to consider materials during these cases which are frequently very technical in nature in order to determine the patent's validity. The costs of such litigation to both parties frequently exceeds \$250,000. Many independent inventors and small business owners not able to pay such fees are susceptible to being "blackmailed" into allowing infringements on their patents or are forced to license them for nominal fees to avoid going to court.

This creates a situation where the patent system is used as a club to beat down the very people that it was formed to protect. While patents are important to all businesses, they are the lifeblood to the independent inventor or small business owner who uses the patent grant as a shield to protect their invention from stronger competitors.

Presently about 50% of the litigated patents are found to be invalid in the courts. For a business that is considering investing millions of dollars and years of work into developing new products based on a U.S. patent this is a very frightening statistic. Having a patent issued of dubious worth is a cruel hoax that benefits no one, least of all the patent holder. It is much better to be able to go back to the Patent Office under a reexamination procedure to determine the patent's validity than it is to spend thousands of dollars in court and wind up with an invalid patent.

The bill that I introduced will allow the Patent Office to reexamine issued patents quickly and at a reasonable cost whenever they are challenged on the basis that an incomplete search was made prior to issuance. This will help to remove some of the fear about the real worth of American patents that grips our patent holders. Patent reexamination will be a step forward but it must be coupled with other efforts if we are to return to the patent system which was once the model for the rest of the world.

Patent reexamination by itself will not solve all of the ills of the Patent Office. Many of the most vexing problems arise from continued underfunding that has resulted in an understaffed and overworked office trying to handle an ever increasing work load. The Patent Office has done

an admirable job under the circumstances, but unless this situation is remedied, little appreciable progress is really possible. Earlier this year I attempted to provide additional funding to the Office in the FY 1980 budget request. I learned that from 2% to 28% of the patents in every subclass are missing. This means that the patent examiner has a very good chance of missing important materials in the hurried patent search no matter how competent the examiner might be. For reexamination as well as the initial examination to be meaningful this situation must be corrected and I will be ready to fight to see that the Patent Office receives the support that it needs in the Appropriations Committee to fulfill its important mission.

I am also introducing legislation that will remove the Patent Office from within the Commerce Department and set it up as an independent agency so that the real experts on our patent system are allowed to run the show and get their house in order without interference. When we combine patent reexamination with a secure, updated search file and an independent Patent and Trademark Office we will be well on our way toward restoring confidence in the patent and trademark system.

A well working patent system is the keystone to increasing this nation's productivity and insuring our place as a leader of invention and development in the world.