

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

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Patent Reform Needed to Promote Innovation and Job Growth

Coalition Outlines Key Provisions for Patent Reform to Cross the Finish Line

Washington, D.C. – Carl Horton, Chief Intellectual Property Counsel of General Electric, was one of three witnesses today testifying before the House Judiciary Subcommittee on Intellectual Property, Competition, and the Internet on their hearing “Crossing the Finish Line on Patent Reform: What Can and Should be Done.” Horton testified on behalf of the Coalition for 21st Century Patent Reform.

Horton’s written testimony is available on the Coalition’s website. Below is his prepared verbal testimony.

“Mr. Chairman, members of the subcommittee: I very much appreciate the opportunity to testify today in my capacity as Chair of the Coalition for 21st Century Patent Reform. As Chief IP Counsel of GE and a practicing IP practitioner for 20 years, this is a subject that is near and dear to my heart.

The 21st Century Coalition is a diverse group of nearly 50 innovative companies that employ millions of Americans in well-paying jobs. These companies represent over 18 different industry sectors and thus bring the type of balanced perspective that is essential to ensuring that improvements to the patent laws maximize the benefits to all industry sectors.

GE also represents multiple industries. In fact, given that the various GE businesses have very different views on the issues involved in the patent reform debates, I can assure you that almost no one has been forced to seek a more balanced and holistic solution to these issues than I have.

Moving from a first-to-invent to a first-inventor-to-file system is long overdue. The fact is that most companies already operate as if the U.S. had adopted first-inventor-to-file. Why you ask? It is because our export markets hang in the balance. U.S. inventors have lost patent rights to foreign companies because they unwisely relied upon the possibility that they could prove they were the first to invent something rather than acknowledging that patents in the global markets go to those inventors who are not only first to invent, but also first to reach the patent office steps. Exporting products Made in America to these non-U.S. markets is crucial to growth and prosperity of U.S. manufacturers.

Both pre-issuance submission of art and post grant review are perfectly suited to help the USPTO separate the valid patents that drive innovation and growth from invalid patents that do not. Pre-issuance submission of art would allow technical experts outside the Office to assist the USPTO by submitting relevant prior art and explaining to the examiner why the applicant is attempting to patent something that is already known in the art.

Post grant review would also provide a workable process for third parties to promptly and affordably challenge the validity of a patent. The benefits of this system require no leap of faith on our part as workable post-grant review proceedings exist all over the world. The post grant review procedures in S. 23, as unanimously reported by the Senate Judiciary Committee last week, represent a workable compromise that I, as a practitioner, would love to have as an alternative to litigation to challenge the arguably invalid patents that occasionally issue. And, if I can prove my case of invalidity, I can invalidate the patent thereby releasing resources that have been reserved awaiting determination of the validity of the patent. If I am wrong and the patent is valid, then I can report to my management that we must either license the patent or find a way to design around it. Either way, I have certainty of action at a cost I can afford!

I won't belabor the issue of adequately funding the USPTO as I know that Director Kappos already made that case before this subcommittee. Users are prepared to pay what it costs to promptly issue patents after a full and thorough examination. But as some of the largest customers of the USPTO, our Coalition members believe it fair to ask that we receive \$100 worth of service for every \$100 we pay to the Patent Office. Any diversion of such funding is, in reality, a tax on the innovation that might otherwise be creating jobs.

False marking is undoubtedly one of the most antiquated components of the patent system. Unfortunately, there has been an explosion of false patent marking cases in just the past 15 months (800 such cases) that mandate immediate action. These plaintiffs, virtually none of which has suffered any competitive harm, are merely exploiting the *qui tam* provisions of Section 292 to chase mass produced products where old, expired patent markings have not yet been removed. This is arguably the worst recent example of truly wasteful litigation.

Let me conclude with three issues that don't necessarily need to be redressed through patent reform legislation; namely, venue, willfulness and patent damages. The Federal Circuit is already reigning in inappropriate forum shopping by requiring transfer of venue when the transferee venue is "clearly more convenient" than the venue chosen by the plaintiff. Similarly, the Federal Circuit has clarified the standard of willful infringement to require proof of "objective recklessness" by the infringer before treble damages may be awarded. Given that current legislative proposals are attempting little more than codification of the Federal Circuit's *In Re Seagate* decision, legislation pertaining to willfulness is likewise unnecessary.

Finally, the Federal Circuit's decision in *Lucent v. Gateway* is now requiring judges to act as "gatekeepers" in challenging the sufficiency of the evidence supporting patent damage theories. In *Uniloc v. Microsoft*, the Federal Circuit also eliminated as inflexible and unreliable the 25 percent rule of thumb for calculating reasonable royalty damages. These cases and others like them have obviated the need to legislatively address patent damages.

Again, the Coalition appreciates the opportunity to offer our views on what can and should be done on patent reform and stand ready to continue to assist the Congress in identifying "achievable patent reform" which can cross the finish line in the 112th Congress. I would be pleased to answer any questions you may have. Thank you."

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The coalition has nearly 50 members from 18 diverse industry sectors and includes many of the nation's leading manufacturers and researchers. The coalition's steering committee includes 3M, Caterpillar, General Electric, Johnson & Johnson, Eli Lilly and Procter & Gamble. The coalition has members in a variety of industry sectors including: Aerospace and Defense, Chemical, Computers, Diversified Financials, Diversified Technology, Energy, Food Production, Forest & Paper Products, Health Care, Household & Personal Products, Industrial Equipment, Medical Equipment & Devices, Network & Communications, Payroll Services, Pharmaceutical, Biotechnology, Semiconductors & Electronic Components, and Transportation Equipment. Visit www.patentmatter.com for more information.