

UNITED STATES PATENT AND TRADEMARK OFFICE

ROUNDTABLE MEETING: SMALL BUSINESS VIEWS ON  
ADDITIONAL HARMONIZATION OF PATENT LAWS

Second Floor, Patent Theater  
2121 Crystal Drive  
Arlington, Virginia

Thursday, December 19, 2002

The meeting convened, pursuant to  
notice, at 1:08 p.m.

MODERATOR: Chris J. Katopis

PANEL PARTICIPANTS:

DAVE BURSTEIN  
JERE GLOVER  
SAMSON HELFGOTT  
BRIAN KAHIN  
NANCY J. LINCK  
GERALD J. MOSSINGHOFF  
DAVID PEYTON  
ALBERT TRAMPOSCH  
CHARLES VAN HORN  
HERB WAMSLEY

## 1 P R O C E E D I N G S

2 MR. KATOPIS: Good afternoon. I think  
3 we're going to get started here. Thank you all for  
4 coming this afternoon. For those of you whom I  
5 haven't met, I am Chris Katopis. I am the Acting  
6 Deputy Administrator for External Affairs for the  
7 USPTO and also leading the effort on any  
8 congressional relations here at the agency.

9 This afternoon's roundtable, as many of  
10 you know, is a response to a recent General  
11 Accounting Office report on the obstacles small  
12 businesses face in obtaining foreign patent  
13 protection. This GAO report, issued in July, was  
14 the outgrowth of concerns by the Chairman of the  
15 House Small Business Committee and the ranking  
16 member of the Senate Committee on Small Business  
17 and Entrepreneurship that some small businesses,  
18 particularly high-tech firms, are not obtaining  
19 patent protection overseas and are losing potential  
20 sales in foreign markets as a result.

21 To help address these impediments on  
22 foreign patent protection, the GAO report

1 recommended that we, the USPTO, bring together  
2 patent policy experts to solicit their views on the  
3 harmonization of patent laws. More specifically,  
4 today's listening session is intended to assess the  
5 advantages and disadvantages of various options for  
6 achieving additional global patent law  
7 harmonization.

8           We are very pleased to have a highly  
9 distinguished group of panelists, representing a  
10 diverse cross-section of the IP community to explore  
11 the issues highlighted by the GAO. Among the  
12 questions we have posed to the participants  
13 are:

14           First, what are the major obstacles  
15 faced by small businesses when attempting to obtain  
16 patents in foreign countries and what order of  
17 priority would you assign to addressing those  
18 obstacles?

19           Second, are existing programs helpful in  
20 enabling small businesses to obtain patents in  
21 multiple countries? For example, is the Patent  
22 Cooperation Treaty, PCT, utilized sufficiently by

1 small businesses.

2           Third, what can be done at the domestic  
3 level to assist small businesses in obtaining foreign  
4 patents or otherwise better protecting their  
5 intellectual property? Is there a need for  
6 legislation in this area?

7           Last, should any new initiatives beyond  
8 current patent harmonization efforts be undertaken  
9 internationally?

10           Under Secretary Jim Rogan and the  
11 administration as a whole are committed to  
12 streamlining the international patent system to  
13 make foreign patent protection easier and more  
14 affordable. We agree that the present system is  
15 simply too cumbersome and costly, and so we look  
16 forward to your comments on ways to simplify it and  
17 to benefit American businesses, IP owners, and the  
18 public at large.

19           Again, thank you all for your  
20 participation in this roundtable.

21           Briefly, I want to make a comment on the  
22 format. We have tried to make sure that this is a

1 presentation that is as efficient as possible.  
2 We're trying to avoid roundtabling that turns  
3 into talk-wrestling or cross-fire. So what we have  
4 asked is for each of the participants to make an  
5 opening statement of approximately five to seven  
6 minutes, and then we're going to take a short  
7 break. Then we'll return to hear statements on a  
8 series of questions that we have posed to each of  
9 the presenters. These materials will be posted on our  
10 web site, from what I understand, very shortly, and  
11 in addition, a summary will be provided to  
12 Congress and the GAO.

13           Additionally, I'd like to thank Lisa  
14 Malvaso and Talis Dzenitis for all their assistance  
15 in getting this presentation on target for today.

16           I think most of the  
17 participants are known to all of us, but I'd like  
18 to take a moment to just briefly introduce them.

19

20           We're very fortunate to have, first, the  
21 Honorable Gerald J. Mossinghoff, who is the former  
22 Assistant Secretary of Commerce and Commissioner of

1 Patents and Trademarks. During his tenure as  
2 Commissioner, he initiated a far-reaching  
3 automation effort to computerize the PTO data base.  
4 Currently, he is senior counsel with the law firm  
5 of Oblon, Spivak, McClelland, Maier & Neustadt, and  
6 advises clients on a broad range of intellectual  
7 property issues.

8           Next, we have Nancy Linck, who is a former  
9 Solicitor of the USPTO and currently serves as  
10 Senior Vice President and General Counsel and  
11 Secretary at Guilford Pharmaceuticals in Baltimore,  
12 Maryland. Ms. Linck has taught law at Georgetown  
13 and George Washington University Law Schools. She  
14 also holds a Ph.D. in Inorganic Chemistry.

15           Herb Wamsley is another USPTO  
16 alumnus, from what I understand. He is the  
17 Executive Director of the Intellectual Property  
18 Owners Association, IPO. He is actively involved  
19 with IP policy matters at the domestic and  
20 international levels. Mr. Wamsley serves as a  
21 member of the Advisory Boards of U.S. Patents  
22 Quarterly and BNA's Patent, Trademark, and

1 Copyright Journal.

2           Next, Charles Van Horn is 31-year  
3 veteran of the USPTO and currently heads up the  
4 Patent Prosecution Section at the law firm of  
5 Finnegan, Henderson, Farabow, Garrett & Dunner.  
6 Mr. Van Horn has represented the U.S. in  
7 international negotiations on treaties including  
8 patent harmonization and the Patent Cooperation  
9 Treaty. Mr. Van Horn is here today representing  
10 the American Intellectual Property Law Association,  
11 AIPLA.

12           Albert Tramposch is counsel for the  
13 intellectual property law firm of Burns, Doane,  
14 Swecker & Mathis. He also serves as an adjunct  
15 professor and co-director of the Intellectual  
16 Property Law Program at George Mason  
17 University School of Law. Mr. Tramposch is the  
18 former director of the WIPO Industrial Property Law  
19 Division in Geneva and was actively involved in  
20 patent harmonization efforts.

21           Next, Samson Helfgott is a partner in  
22 the law firm--and he tells me it's pronounced KMZ

1 Rosenman. He has practiced intellectual property  
2 law for over 30 years and serves as the  
3 International Activities Coordinator for The American  
4 Bar Association Section on Intellectual Property  
5 Law. He is representing the ABA here today. Mr.  
6 Helfgott is also the Chairman of the Harmonization  
7 Committee of The New York Patent, Trademark, and Copyright  
8 Law Association.

9           David Peyton is the Director of  
10 Technology Policy at the National Association of  
11 Manufacturers. The Association is the Nation's  
12 largest industrial trade association, with 14,000  
13 members, including 10,000 small and mid-sized  
14 companies. He actively represents the Association  
15 and its members on patent-related matters before  
16 the Congress and Federal agencies.

17           Brian Kahin directs the Center for  
18 Information Policy at the University of Maryland.  
19 He served as a consultant and senior policy analyst  
20 at the White House Office of Science and Technology  
21 Policy from 1997 through the Year 2000. Mr. Kahin  
22 joins us today as a substitute for Mr. James Love



1 who represents the Consumer Project on Technology.

2           We are also pleased to have Mr. Jere Glover,  
3 who is the Executive Director of the Small Business  
4 Technology Coalition. He is the former Chief  
5 Counsel for Advocacy at the U.S. Small Business  
6 Administration and has served as counsel to both  
7 the Senate and House Small Business Committees.

8           And finally, but not last or least, Dave  
9 Burstein is the editor of industry newsletters DSL  
10 Prime and Telecom Insider. He also participates in  
11 a weekly radio program in New York entitled The  
12 Personal Computer Show. We are pleased to have  
13 all of our presenters today.

14           We'll start with Mr. Commissioner, Mr.  
15 Mossinghoff, for his five to seven minute opening  
16 statement, and then we'll proceed down through the  
17 panel, and then we'll take a brief break. So thank  
18 you all.

19           MR. MOSSINGHOFF: Thank you very much,  
20 Chris. I really appreciate this opportunity.

21           It is no overstatement in my opinion to  
22 predict that historic opportunities are within our

1 grasp to enhance the effectiveness of the U.S.  
2 patent system and of patent systems worldwide.  
3 I've been in the patent business for several  
4 decades now, a lot of decades unfortunately, and I  
5 cannot recall a time when the incentives of the  
6 patent system were better appreciated and used by  
7 high-technology concerns, both small and large,  
8 both profit seeking and non-profit.

9           The good news is that the use of the U.S.  
10 patent system and its counterparts abroad continues  
11 to increase at an exponential rate. In my view,  
12 that reflects accurately the increase in applying  
13 science and technology to human needs and  
14 endeavors. Some would argue that the increased use  
15 of the patent system actually is outstripping the  
16 increase in research and development, but I  
17 seriously question whether the data support that  
18 position.

19           In the research-based pharmaceutical  
20 industry, for example, research and development  
21 expenditures have increased more than tenfold in  
22 the past 20 years from \$2.3 billion in 1981 to more

1 than \$30 billion in the Year 2001. And patents  
2 granted in the pharmaceutical field, although  
3 substantially increased, have not kept pace.  
4 Basically, they've increased about threefold as  
5 compared with the tenfold increase in research and  
6 development.

7           The importance of effective patent  
8 protection to small and medium-sized businesses is  
9 no more dramatically indicated than with respect to  
10 the biotechnology industry. It is only because of  
11 patents that small emerging biotechnology companies  
12 can hope to compete with more established concerns  
13 in the United States and worldwide. Thus, the  
14 miracle cures flowing abundantly from that industry  
15 depend directly upon a well-working, and I would  
16 submit a harmonized, patent system in the U.S. and  
17 in the major countries of the world.

18           The bad news regarding the increasing  
19 amplitude of work in the patent offices of the  
20 world is that the offices are having serious difficulty  
21 in keeping up with their respective workloads.  
22 Former Commission of Patents for the Japanese

1 Patent Office, Commission Arai, in a cogent  
2 briefing entitled "Crisis in 2003" predicts that  
3 the average burden upon a patent examiner in the world  
4 will increase from 110 applications on his or her  
5 docket in 1995 to over 620 applications on his or  
6 her docket in 2003. I applaud the efforts of  
7 Under Secretary James Rogan and his staff that are  
8 reflected in the USPTO's 21st Century Strategic  
9 Plan. A key part of that plan is to move towards  
10 meaningful work sharing among the major offices of  
11 the world. That, in my opinion, is critically  
12 important. And although it does not depend totally  
13 on a harmonization of substantive patent laws,  
14 eventually a lack of such harmonization will  
15 amount to a damper or a break on the enlightened  
16 efforts that are being pursued.

17           Whenever international patent  
18 harmonization is mentioned in the same breath with  
19 small business, the issue of first-inventor-to-file  
20 versus first-inventor system of priority  
21 inevitably comes to the surface. The assertion is  
22 often heard that for the U.S. to adopt a

1 first-inventor-to-file system in the U.S. will  
2 somehow favor large companies to the disadvantage  
3 of small entities. The data that exist, all of  
4 the data that exist, regarding the use of the  
5 first-to-invent system with respect to small  
6 entities, contradict that assertion.

7           I was pleased to work with the staff of  
8 the USPTO in compiling statistics on what  
9 happened to small entities during their history,  
10 their entire history from their creation legally in  
11 Fiscal Year 1983, which I participated in directly,  
12 through Fiscal Year 2000. I was pleased to publish  
13 that in the Journal of the Patent and Trademark  
14 Office Society in their June 2002 issue, and I've  
15 attached--I have a prepared statement, and I've  
16 attached that article to the prepared statement.

17           In analyzing the data, I defined terms  
18 in what I believe is a very straightforward way. I  
19 say that small entities were disadvantaged by the  
20 first-to-invent system if the small entity was the  
21 senior party in an interference, senior party  
22 that is the first to file, and received an adverse

1 decision. I will say that a small entity was  
2 advantaged by the first-to-invent system if the  
3 small entity was the junior party, the second to  
4 file, and received a favorable decision. I think  
5 that's pretty straightforward.

6           The data provided by the USPTO  
7 confirm empirically that the current  
8 first-to-invent system of priority provides no  
9 advantages to small entities. Historically,  
10 virtually the same number of small entities were  
11 advantaged by the first-to-invent system as were  
12 disadvantaged. The number here is 203 to 201. And  
13 with respect to independent inventors, among the  
14 most vocal of first-to-invent adherents, more were  
15 disadvantaged, 115, than were advantaged, 98.

16           Before I close, I would also like to  
17 give some statistics from my article, and that is  
18 that during the period where we're talking about  
19 203 being advantaged and 201 being disadvantaged or  
20 115 being disadvantaged and 98 being advantaged,  
21 during that period of time, the USPTO received  
22 3,151,901 patent applications and granted 1,779,906

1 patents. So we're talking about not small numbers  
2 or small impact; we're talking about virtually  
3 insignificant or tiny impact. Now, to the 115  
4 small entities that lost their patent because of  
5 the first-to-invent system, to each one of them it  
6 was probably a major issue. I don't want to in any  
7 suggest that it was not, but in the scheme of  
8 public policy, we're talking about more than three  
9 million applications and 1.8 million patents. And  
10 we're talking about whether 203 were advantaged  
11 versus 201 that were disadvantaged.

12           The data provided by the USPTO  
13 confirm empirically that the current  
14 first-to-invent system of priority provides no  
15 advantage. And I provided a table with the article,  
16 which I have with me, and it's in the publication.  
17 There are many good reasons why the U.S. should join  
18 the rest of the world in adopting a first- inventor-  
19 to- file, reasons well beyond the scope of this  
20 discussion today, but it would certainly be, I  
21 think, a step in the right direct direction to  
22 provide substantive harmonization, and in my view,

1 you don't get substantive harmonization unless you  
2 decide internationally what's the definition of  
3 prior art. That's what defeats patents. That's  
4 what patentees try to overcome, and unless we get a  
5 definition of prior art, I don't think we're ever  
6 going to get a truly harmonized system of patent  
7 law among countries, and unless we decide on a  
8 first-inventor-to-file versus a first-to-invent  
9 system, we'll never get a definition of what is  
10 prior art.

11           So in closing, I think everything we're  
12 doing is correct here, but I really believe that we  
13 need to move at some point to a truly harmonized  
14 system, and I think the problems that were  
15 identified in the General Accounting Office report,  
16 namely the extreme high cost to a U.S. small entity  
17 to get patent protection internationally, has to be  
18 addressed significantly and aggressively, and that  
19 will not happen until we get a definition of prior  
20 art and move toward a truly multinational patent  
21 system.

22           Thank you, Mr. Moderator.



1           MS. LINCK: Good afternoon. Before I  
2 begin with my formal statement, I would like to say  
3 amen to everything that Gerald said about going to  
4 first-to-file and also to compliment those that put  
5 the GAO report together. I think it does  
6 accurately reflect where small businesses are coming  
7 from.

8           My company, Guilford Pharmaceuticals, is  
9 a small publicly-held pharmaceutical company in  
10 Baltimore, Maryland. At present, we have  
11 approximately 230 employees, and we have one  
12 commercial product, the "Gliadel" wafer which is used  
13 to treat brain cancer.

14           The company's main focus is on products  
15 to treat neurological disorders such as Parkinson's  
16 disease and hospital-based products. Guilford is  
17 not yet profitable and thus relies on investors and  
18 partners to support its operations. Guilford holds  
19 more than 100 U.S. patents and has more than 170  
20 pending U.S. applications. It also has more than  
21 100 foreign patents and more than 750 foreign  
22 applications which correspond to its U.S. cases.

1           Because of the high cost of foreign  
2 filing and prosecution and the present economic  
3 environment, today Guilford limits its foreign  
4 filings to Europe, Canada, Japan, Australia, and  
5 Mexico, and to further control the cost of foreign  
6 prosecution, Guilford has been forced to abandon a  
7 number of foreign applications and not maintain  
8 some of its issued foreign patents. Considering  
9 the large up-front investment, such action, while  
10 necessary, is very reluctantly taken.

11           The high cost of obtaining foreign  
12 patents is the largest stumbling block for Guilford.  
13 A large part of that cost is due to translation  
14 fees. Translation fees depend upon the size of an  
15 application; thus, typically pharmaceutical  
16 companies are impacted more than companies in other  
17 fields because pharmaceutical cases are usually  
18 longer and more complex. Translation fees can be  
19 postponed for 18 months by filing through the PCT,  
20 but even then it is often difficult to know whether  
21 a drug product candidate will be successful; thus  
22 the choice is to pay the money, which ultimately

1 may turn out to be wasted, or to forego foreign  
2 patent prosecution in many countries, which  
3 ultimately may cost the company substantial income.

4           Patent harmonization may not address the  
5 translation problem. Each country makes money on  
6 its translations; thus, as I understand it,  
7 countries are very reluctant to give up the  
8 requirement for a separate translation, even when  
9 two countries speak the same language. Of course,  
10 if harmonization ultimately results in one patent  
11 being honored throughout the world or at least  
12 industrialized world, the translation problem will  
13 vanish, but I don't believe that will happen during  
14 my lifetime.

15           Harmonization is key to addressing other  
16 major challenges, but until the U.S. goes to a  
17 first-to-file system, harmonization is not likely  
18 to be achieved; thus the U.S. should go to first-to-  
19 file as soon as possible.

20           Differences in substantive laws  
21 contribute to the cost of obtaining foreign patent  
22 prosecution. Today, to a large degree, a different

1 foreign representative is necessary for each  
2 country, and oversight of foreign representatives  
3 requires the ability to understand the laws and  
4 practices in each country; thus a small company  
5 like Guilford must engage outside counsel, not only  
6 to prosecute U.S. cases, but also to oversee  
7 foreign prosecution. As a general rule, in order  
8 to do so, outside counsel will engage additional  
9 staff with special expertise. Harmonization would  
10 significantly decrease the complexity of foreign  
11 patent prosecution and thus lower the cost.

12           Lack of any grace period in many countries  
13 is also a problem. This is particularly true when  
14 a small company licenses technology from a  
15 university. Frequently, university inventors,  
16 often professors, publish their inventions before  
17 filing a patent application. The one-year grace  
18 period in the U.S. permits the professor to file in  
19 the U.S., but foreign rights are usually lost. In  
20 prior harmonization discussions back in the late  
21 eighties and early nineties, most foreign countries  
22 were open to providing some type of a grace period

1 in exchange for the U.S. agreeing to adopt a  
2 first-to-file system; thus harmonization could  
3 address this issue.

4           The scope of protection available from  
5 country to country is also a problem, particularly  
6 in the pharmaceutical area. Some countries do not  
7 offer protection for certain drug-related products.  
8 For example, recently Canada held the Harvard  
9 oncomouse was not patentable subject matter in  
10 spite of its patent protection in the U.S., Japan,  
11 and Europe. Other countries require compulsory  
12 license and/or working of the patent product.  
13 These issues could be eliminated or at least  
14 minimized through harmonization.

15           Patent enforcement is also a major  
16 problem in many if not most foreign countries.  
17 After expending large sums to obtain patent rights,  
18 those rights may well prove to be of little value.  
19 And, even in countries where litigation yields a  
20 positive outcome, the extent of damages available  
21 may not be sufficient to cover the cost of  
22 litigation. On the other hand, since enforcement

1 may not be needed for many years, it's difficult to  
2 know the future value of patent rights in countries  
3 with enforcement problems today.

4           Given the high cost of obtaining foreign  
5 rights, however, companies with limited financial  
6 resources, such as Guilford, typically forego  
7 obtaining such rights in countries with limited  
8 enforcement today. In earlier harmonization  
9 discussions, enforcement and damages issues were  
10 included. Thus, harmonization could provide at least  
11 a partial solution to these problems.

12           In sum, major hurdles to obtaining  
13 meaningful foreign patent rights are: Number one,  
14 cost, particularly that due to translations; two,  
15 differences in the substantive laws, including lack  
16 of a grace period overseas; three, lack of a  
17 meaningful scope of protection, particularly in the  
18 pharmaceutical area; four, difficulty in  
19 enforcing patent rights; and five, inability to obtain  
20 sufficient damages. Harmonization would at least  
21 lower many of the hurdles, and again, in order to  
22 harmonize, we must go to a first-to-file system.

1 Thank you.

2 MR. WAMSLEY: Thank you, Chris. I  
3 appreciate the opportunity to participate in this  
4 discussion on behalf of the Intellectual Property  
5 Owners Association, IPO. We commend the Patent  
6 and Trademark Office for conducting this meeting.  
7 The expense of obtaining foreign patents is one of the  
8 most severe problems facing patent owners today.

9 IPO is a trade association whose members  
10 are predominantly large and mid-sized U.S.-based  
11 companies. We also have about 70 small businesses  
12 and individual inventor members. Our members file  
13 about 30 percent of all the patent applications  
14 that are filed in USPTO by U.S. nationals, and  
15 they file many thousands of applications a year in  
16 foreign countries.

17 While the focus of this meeting is on  
18 small businesses, no one should believe that the  
19 expense of obtaining foreign patents is not a  
20 problem for large businesses. Sixty-nine percent  
21 of the respondents in the survey conducted by the  
22 GAO for its July 2002 report said small and large

1 businesses face the same impediments to acquiring  
2 patents abroad. We agree with that conclusion.  
3 Small businesses may be affected somewhat  
4 differently from large businesses, which may file  
5 many applications abroad and have  
6 overseas operations, but the impediments for small  
7 and large businesses in acquiring foreign patents  
8 are the same.

9           The GAO survey reported that 53 percent  
10 of patent attorneys thought small businesses hold  
11 fewer foreign patents than they need, and only six  
12 percent thought small businesses hold more patents  
13 than they need. About the same thing probably  
14 could be said for large businesses. Several large  
15 business IPO members say they are filing fewer  
16 patent applications abroad than they would like to  
17 file, and during the recent economic downturn,  
18 their company budgets for foreign filing have been  
19 reduced.

20           We believe it is important for  
21 businesses small and large for the U.S. Government  
22 to take action to reduce the obstacles to acquiring



1 foreign patents. The overarching obstacle facing  
2 small and large businesses, as the previous  
3 speakers have indicated, is cost. We believe  
4 different substantive patent law requirements in  
5 foreign countries is the most significant  
6 cost-related obstacle, followed by the difficulty  
7 in enforcing patents abroad, expense of  
8 translations, and the expense of formalities  
9 requirements.

10           The Patent Cooperation Treaty has been a  
11 successful program for helping businesses obtain  
12 patents in multiple countries, and work should  
13 continue on improving the PCT. A common  
14 standard for filing applications electronically is  
15 another area with promise for reducing costs.

16           The effort to harmonize substantive  
17 patent law requirements under the auspices of the  
18 World Intellectual Property Organization, however,  
19 is not proceeding at a satisfactory pace. Many  
20 observers are questioning whether the proposed WIPO  
21 Substantive Patent Law Treaty can become a reality  
22 in the foreseeable future.

1           We believe the U.S. should consider all  
2 possible alternative mechanisms for harmonizing  
3 substantive patent law requirements, including  
4 agreements with even a small number of countries  
5 that may be willing to agree on a best practices  
6 approach to harmonization. Essential ingredients  
7 for such an agreement include a first-to-file  
8 priority rule and a 12-month grace period to  
9 protect inventors against patent-barring  
10 disclosures.

11           A contributing factor to high costs of  
12 obtaining patents abroad, and particularly a  
13 contributing factor to the high cost of maintaining  
14 patents abroad, is the practice that foreign patent  
15 offices follow of diverting fees received from  
16 patent owners to unrelated government programs. In  
17 the 1990s, the U.S. Government began the same  
18 practice. Fee diversion needs to be eliminated  
19 abroad and in the U.S.

20           IPO's Board of Directors supports  
21 legislation to adopt some features of foreign  
22 patent systems without waiting for a harmonization

1 treaty. This should be done in instances where a  
2 feature of foreign patent systems is a best  
3 practice. Examples of changes that would improve  
4 U.S. patent law and at the same time move toward  
5 uniformity with foreign laws include adopting a  
6 first-to-file system in the United States for  
7 determining priority among rival inventors and  
8 permitting the assignee, in other words, the owner  
9 of an invention, to file a U.S. patent application  
10 with appropriate statutory safeguards for the  
11 rights of inventors.

12           IPO suggests that the U.S. Congress  
13 should move ahead next year with the legislation to  
14 adopt the first-to-file system and permit assignees  
15 to file patent applications. These are changes  
16 that would improve the U.S. system by reducing the  
17 cost of obtaining U.S. patents and at the same time  
18 narrow the differences between U.S. and foreign  
19 systems.

20           The United States is the world's  
21 technology leader. It should make its own patent  
22 system the world model while continuing to work to

1 convince other countries to change their  
2 substantive patent law requirements. We believe  
3 that these are steps that will help small and large  
4 businesses protect their technology abroad and  
5 strengthen the U.S. economy.

6 Thank you.

7 MR. VAN HORN: Thank you. AIPLA  
8 appreciates this opportunity to offer its views and  
9 recommendations on achieving additional patent law  
10 harmonization. In our view, significant  
11 opportunities for aiding small businesses in  
12 developing and obtaining foreign patent portfolios  
13 would be available through increased harmonization.

14 As most in this room know, American  
15 businesses both large and small, as well as American  
16 inventors, must with very few exceptions file separately  
17 in individual countries, often times paring  
18 applications due to local idiosyncracies and also  
19 go through the searching, examination, and  
20 processing of individual applications with all the  
21 attendant costs of translations and attorneys in  
22 these different areas. What would truly benefit

1 small businesses, however, would be globally  
2 harmonized patent laws that would permit them to  
3 draft one application, specification and claims,  
4 that would be similarly treated throughout the  
5 world.

6           It is for this reason that AIPLA has  
7 long supported deep substantive patent law  
8 harmonization, particularly of the rules for  
9 preparing and processing applications and  
10 determining what inventions are patentable. By  
11 deep harmonization, we mean not only the laws and  
12 regulations, but also the detailed examination  
13 practices. Our goal is to achieve a degree of  
14 harmonization that would allow the USPTO, and  
15 indeed other offices, to give significant full  
16 faith and credit to the results coming from other  
17 examining offices.

18           It is our desire that a sufficiently  
19 deep degree of patent law harmonization could be  
20 achieved so that the USPTO could achieve  
21 real-time savings on both search and examination of  
22 U.S. applications coming from abroad. This could

1 lead to both lowering the official fees charged by  
2 the USPTO and using some of the time savings to  
3 enhance patent quality.

4           Particularly important for one of the  
5 goals of this roundtable, such a degree of  
6 harmonization would permit EPO, JPO, and other  
7 examining offices to achieve similar savings that  
8 could be passed on to patent applicants. AIPPLA  
9 recognizes that the United States will need to make  
10 a number of significant changes if such  
11 harmonization and treaty is to be achieved. Our  
12 traditional system of awarding priority to the  
13 first inventor would have to give way to the system  
14 of first inventor to file. Likewise, our  
15 territorial restrictions on public use and sale as  
16 patent-defeating acts would have to be eliminated.

17           These changes are logical in the context  
18 of a globally harmonized system for the grant of  
19 patents. On the other hand, we can also point to a  
20 number of questionable practices in the patent  
21 systems of other countries that we would expect to  
22 be fashioned after the model in the United States.

1 In furtherance of this goal, AIPLA has been an  
2 active participant in the Standing Committee on  
3 Patents at the World Intellectual Property  
4 Organization to develop a Substantive Patent Law  
5 Treaty. Unfortunately, in our view, particularly  
6 for those of us who were privileged to attend this  
7 last meeting, this effort appears to be in danger  
8 of collapse. At the recent meeting just concluded,  
9 there seemed to be a lack of willingness on the  
10 part of many participants to actually negotiate and  
11 seek substantive harmonization on the basis of what  
12 is considered to be a best practice.

13           Given the makeup of the countries  
14 involved, it would appear that a number of concepts  
15 in the European Patent Convention, which are both  
16 foreign to U.S. jurisprudence and not in our view  
17 a best practice, may likely find their way into a  
18 final treaty. Further complicating the situation  
19 at WIPO is there are a number of proposals from  
20 certain developing countries that would sanction  
21 members of this treaty taking any action they deem  
22 necessary to preserve essential security

1 interests, protect public health, or promote public  
2 interest in sectors of vital importance to their  
3 socio-economic, scientific, or technological  
4 development.

5           Notwithstanding these hurdles, however,  
6 the AIPLA believes the United States should  
7 continue to participate in these SCP meetings on  
8 the development of a treaty. We would encourage  
9 the USPTO to aggressively initiate bilateral  
10 contacts with its major trading partners to seek  
11 common ground. At the same time, the USPTO  
12 should reach out to those developing countries that  
13 are proposing the sweeping loopholes in the rules  
14 for when a patent can be denied or declared  
15 unenforceable and find constructive ways to assist  
16 them in achieving their goals. The ongoing  
17 discussions at the Standing Committee on Patents  
18 should not be abandoned in our view, certainly not  
19 until additional efforts have been made to build  
20 support for a patent law harmonization treaty  
21 acceptable to the United States.

22           In conclusion, we thank the USPTO for



1 holding this forum to allow users to express their  
2 views on desirability of establishing globally  
3 harmonized patent laws. As indicated above, we  
4 urge the USPTO to stay the course in its efforts  
5 to negotiate in WIPO a treaty reflecting best  
6 practices.

7 Thank you.

8 MR. TRAMPOSCH: I'd like to thank the  
9 Director of the USPTO and his representative  
10 here, Chris Katopis, for giving us this opportunity  
11 to help individual inventors and small businesses  
12 enter into the global marketplace with their  
13 innovations. I'd like to start by saying my  
14 comments reflect only my own opinion and not the  
15 position of any entity with which I am, or have been  
16 in the past, affiliated.

17 In my written comments submitted to the  
18 USPTO and under the Federal Register Notice, I made two  
19 recommendations. With respect to my first  
20 recommendation, there are only two established  
21 systems that I'm aware of to aid small inventors to  
22 obtain patent protection in multiple countries

1 around the world. The first system is over 100  
2 years old. It is free, meaning that there is no  
3 cost, no fees. It requires little or no  
4 formalities, no additional application, no  
5 regulations or procedures and no bureaucracy. The  
6 second system is 32 years old, give or take a year  
7 or two. It requires a separate application and  
8 substantial fees. There are hundreds of pages of  
9 rules, regulations, and user guides, and a large  
10 bureaucracy.

11           The first system is the right of  
12 international priority under the Paris Convention.  
13 The second system is the Patent Cooperation Treaty  
14 or PCT. Each system operates to an identical  
15 purpose, delaying the time when a patent applicant  
16 must pay national fees and begin procedures in  
17 foreign offices. The priority right provides 12  
18 months. The PCT provides 30 months.

19           My recommendation for modifying the  
20 international patent system is to combine these two  
21 systems into a formalities-free 30-month  
22 international priority period. Why would such a

1 30-month priority period be preferable to the PCT?  
2 Well, everyone knows that the PCT is costly. It  
3 costs users over a hundred million dollars a year,  
4 and the PCT is complex. The voluminous PCT  
5 regulations exist in addition to the already  
6 complex national laws and regulation. I'd also add  
7 that after only 32 years, the PCT is already out of  
8 date.

9           The PCT was established at a time when  
10 direct worldwide cooperation in area of patents was  
11 not feasible. Communication with foreign offices  
12 was often difficult and unreliable. International  
13 relations were fragmented because of the division  
14 of the world into a number of blocs. And  
15 international publication of priority documents was  
16 nonexistent and impractical. The PCT overcame  
17 these difficulties by establishing an international  
18 bureaucracy that could undertake direct  
19 communication with national offices and could  
20 provide international publication and distribution  
21 services. That bureaucracy, WIPO, was neutral and  
22 could maintain communications and relations with

1 all countries of the world.

2           All of these considerations are now  
3 things of the past. The PCT was designed to  
4 address these considerations and has done so  
5 successfully. But as the considerations have become  
6 outdated, the PCT itself has also become outdated.  
7 Today, we have immediate worldwide electronic  
8 communication, instant access to information, truly  
9 global commerce, and easy and reliable relations  
10 among national offices. It is a world that is  
11 ready, if I can say so, to return to the future to  
12 a simple and direct priority system for  
13 facilitating international filings.

14           A lengthening of the international  
15 priority period is not without precedent. In the  
16 original Paris Convention as adopted in 1883, the  
17 priority period for patents was six months. By the  
18 1920s, it became clear that six months was  
19 insufficient to achieve a major purpose of the  
20 priority right, that is to delay foreign filings  
21 until after a first official action was received  
22 from the office of the home country. A revision

1 conference extended the period to 12 months.

2           Decades later, an additional extension  
3 was desired. In the 1960s during the PCT  
4 negotiations, it was found expedient to encumber  
5 that extension with bureaucracy, fees, formalities,  
6 and requirements for international publication and  
7 notice to third parties. Now it's possible to do  
8 all of this without the encumbering formalities,  
9 cost, and bureaucracy.

10           How could such a 30-month priority  
11 period be adopted? The first step would be a  
12 series of bilateral agreements to establish  
13 reciprocal priority periods of 30 months. This  
14 would conform to the TRIPS agreement as long as  
15 that priority were available for all applications  
16 filed in those offices. This series of bilateral  
17 agreements could evolve into a broader agreement  
18 among like-minded countries, which when proved to  
19 work could form the basis for a more global  
20 agreement.

21           With respect to my second  
22 recommendation, this recommendation to enable

19 small inventors to obtain patent protection

3 abroad, is to eliminate the costly and time consuming  
duplication

5 that results from multiple examinations of the same

6 invention in countless offices around the world.

7 Under this arrangement, the office of one country

8 would recognize the examination results that have

9 already been obtained in the office of another

10 country and vice versa. I'll refer to this as mutual

11 recognition of examination results.

12 Certain user groups and some of the

13 speakers today have stated that it's premature to

14 consider mutual recognition of examination results

15 since international substantive patent

16 harmonization has not yet been achieved. My fear

17 is that we will gather again in 2022, not in this

18 room but over in Alexandria, as we're doing now in

19 2002, and we will still be talking about the day in

20 the future when international substantive patent

21 harmonization will finally be achieved. Remember,

22 as Charlie pointed out, that full harmonization

1 will require modification of treaties, national and  
2 regional patent laws, national and regional  
3 regulations, examination procedures, case law, and  
4 attorney practice, a daunting thought by any  
5 estimation.

6           Substantive patent harmonization is  
7 already a partial fact. Patent law around the  
8 world may be 50 percent harmonized. It may be 70  
9 percent harmonized, depending on who you talk to.  
10 It may even be 90 percent harmonized, depending on  
11 which two countries are being compared.

12           My recommendation is to begin building  
13 on the foundation of a huge percentage of  
14 harmonization that exists now, without waiting for  
15 the distant future when international substantive  
16 patent harmonization will be a reality. A simple  
17 mechanism is all that is necessary to identify the  
18 applications to which mutual recognition of  
19 examination results can be granted now, namely, a  
20 checklist that would determine whether  
21 non-harmonized principles are likely to be applied  
22 during an examination. Examples of the items on

1 the checklist would include issues relating to  
2 first-to-file versus first-to-invent, the existence  
3 of oral prior art, and certain issues relating to  
4 patentable subject matter, among others.

5           Since the degree of harmonization  
6 between the United States and other countries  
7 differs, it would be desirable to create different  
8 checklists for each bilateral relationship and to  
9 have both countries agree on the contents of the  
10 checklist. Applications that pass the checklist  
11 test would require only one examination for  
12 patenting in both of those countries, subject  
13 perhaps to a right of refusal on limited grounds by  
14 the non-examining country and a period for public  
15 opposition.

16           Such a system would benefit all  
17 inventors, but it would benefit small U.S.  
18 inventors the most. It would benefit them even if  
19 it were found that the U.S. system differs so  
20 substantially from most foreign systems that the  
21 U.S. could only accept mutual recognition in a few  
22 cases, and that is because foreign systems might



1 not differ very much from each other. A U.S.  
2 applicant might thus foresee one examination in the  
3 U.S. and one additional examination that would  
4 suffice for a significant number of foreign  
5 countries, still far better than the existing  
6 system. Furthermore, the proposed checklist  
7 system, would provide a practical framework for  
8 further harmonization in which the goal could be  
9 simply to reduce the size of the checklists.

10 In conclusion, these two simple yet  
11 highly practical recommendations could be combined  
12 as a first step by countries that are prepared to  
13 accept these recommendations, and other countries  
14 could transition into this new system over time.

15 Thank you for the opportunity to present  
16 these thoughts.

17 MR. HELFGOTT: Although I have been  
18 asked to participate in this roundtable on behalf  
19 of the American Bar Association Intellectual Property  
20 Law Section, we only received the agenda items  
21 recently and unfortunately did not have an opportunity  
22 to put forth all of the statements through our

1 approval process. Accordingly, the statements that  
2 I make this afternoon are my own. The  
3 American Bar Association has participated and continues  
4 to participate in all forms of patent  
5 harmonization. They have passed many favorable  
6 resolutions towards patent harmonization and  
7 continue to support it.

8           With respect to harmonization, I go back  
9 a little bit in history. Perhaps it was 23 or 24  
10 years ago when Marty Calico, who was then head of  
11 the international patent operation of General  
12 Electric, and I sat in Dr. Arpad Bogoch's very big  
13 office in WIPO together with Norman Wallace, who  
14 some of you may remember. I think Marty was the  
15 one who coined the term "harmonization" in  
16 connection with intellectual property matters. We  
17 sat there on those big couches that many of you  
18 have experienced, and Arpad looked at us and said,  
19 What do you mean by harmonization? And I recall  
20 listing a number of items, and Norman was writing  
21 them down.

22           I now look at where we have come. We

1 have come far beyond that short list that Norman  
2 wrote. Perhaps the greatest harmonization that has  
3 taken place in these last 20, 25 years is on the  
4 national level. I'll go back to a time when the  
5 Japanese system was a public information system,  
6 perhaps, at best. Now it is a full protection  
7 system. I go to a time when Europe had 40 or 50  
8 different national laws. Now they've been unified.  
9 Whether they belong to the EPO, they've still  
10 unified their laws. Even the U.S. system has  
11 changed. We've introduced publication. We've  
12 accepted foreign invention under 104, thus perhaps  
13 as Albert said, just on a national level, we have  
14 already achieved a considerable amount of  
15 harmonization in our national laws. We've put  
16 forth the PCT harmonized entry system. We've  
17 passed PLT, TRIPS. We've come a long way in that  
18 period of time.

19               However, I think, unfortunately, as fast  
20 as we have evolved, technology has moved faster  
21 than the patent system. Computers,  
22 telecommunication, the Internet has united the

1 world spatially as one area. In economics, they  
2 have moved so fast that they have unified the world  
3 into one market, and as such, harmonization has not  
4 kept up with the advancement in industry and  
5 economics.

6           Unfortunately, as has been mentioned,  
7 harmonization activities are stymied. National  
8 politics has gotten involved. Local interests and,  
9 I must add, individual egos of personalities have  
10 also prevented further progress in substantive  
11 harmonization. I think we have to continue those  
12 efforts. We cannot abandon them, but I think we  
13 have to jump start the harmonization activities in  
14 two ways.

15           One of problems is that we are trying to  
16 address substantive harmonization on a worldwide  
17 level, and as has been mentioned by previous  
18 speakers, we have to regionalize some of these  
19 harmonization activities. I would specifically  
20 take note of the Pacific Rim countries. Right now,  
21 I think we have more in common with the patent laws  
22 of the Pacific Rim countries than those perhaps of

1 the European system. European activities are now  
2 trying to expand their own system and perhaps are  
3 less interested in world substantive harmonization,  
4 but rather trying to achieve total east and west  
5 European unification of their law. We have more in  
6 common right now, I think, with the Pacific Rim  
7 countries, and we should perhaps address them.

8           And the second area is that we are  
9 trying to achieve global substantive harmonization.  
10 That may be possible in the future, although even  
11 that, I'm not sure, but I think we should try to  
12 harmonize the processing area. PLT addressed  
13 harmonization administratively. SPLT is  
14 substantively. There's a lot of processing areas,  
15 some of which Albert mentioned. For example,  
16 common search strategies and a common classification  
17 system. We have different classification systems  
18 that they search in, a unified data base that we  
19 all search at.

20           If we can achieve harmonization,  
21 starting perhaps on small regionalized areas and  
22 then expanding that in these procedural areas so

1 that we can avoid the duplication of search and  
2 examination, even such matters as a single global  
3 application, or take it at a small step, a single  
4 regionalized application that will be accepted,  
5 that the single application can be filed so  
6 ultimately when we get electronic filing, this  
7 whole region by a press of a button, you take the  
8 same application after having filed it in the U.S.,  
9 press a button for Japan, for Korea, for China, and  
10 it's an automatic filing in those countries.

11 Yes, there will be differences in  
12 substantive law, and these will have to be tailored  
13 in each country, but perhaps the cost will be  
14 dramatically reduced by avoiding the duplication of  
15 search, examination, filing, repetitive paperwork,  
16 and that could be a first step that is achievable  
17 first on a regionalized basis, then to grow it into  
18 perhaps-- a global basis, but let's take  
19 small steps and see if we can achieve that.

20 Thank you.

21 MR. PEYTON: Thank you. I'm David  
22 Peyton with the National Association of

1 Manufacturers. I appreciate the opportunity to be  
2 here this afternoon.

3           We have 14,000 member companies, all  
4 business segments of manufacturing, and about  
5 10,000 of them are small and medium enterprise,  
6 usually family owned. Only about 2700 of our  
7 14,000 companies are publicly traded.

8           We find it very hard to distinguish  
9 between measures to improve the patent system for  
10 the benefit of small companies and measures to  
11 improve the patent for large companies. We take  
12 the view that we try to improve the system for the  
13 benefit of all users. There may be some cases  
14 where you could say a certain given benefit will be  
15 found more to smaller companies rather than the  
16 larger companies, for example like electronic  
17 filing, but we prefer to advance what we believe  
18 are across-the-board improvements for the system on  
19 the basis that they benefit everybody rather than  
20 they give particular benefit to one industry  
21 segment or one particular class of companies.

22           We're already getting to the point where

1 some of what all of us panelists are saying is so  
2 repetitive. So I'm just going to pass on the  
3 formal submission. That will be in the record, and  
4 anyone who wants that can read it. It's  
5 basically the same as what we said in the public  
6 comments on harmonization 13 months ago.

7           But, basically, we have got a 19th  
8 century system as we're going into the 21st century  
9 economy. The country-by-country system we've got  
10 under the Paris Convention is like the Eiffel Tower,  
11 a relic of the 1880s. It simply cannot meet the  
12 needs of world business in the 21st century. What  
13 we've got is much too costly. It's much too slow,  
14 and it's too unpredictable.

15           We've heard all about the cost of  
16 translation and about the outrageous hidden taxes  
17 around the world, because in the countries except  
18 Japan and ourselves--most of the applicants are  
19 foreign--we have beggar thy neighbor policies  
20 around the world, stick the prices up and have a  
21 nice hidden tax on foreign business. This has got  
22 to go. It's bad enough for big business. Big



1 business just digs deep. If you're a  
2 pharmaceutical company, you may be paying \$40 or \$50  
3 million dollars a year for your patent operations.  
4 Patents, as data from GE and Motorola showed  
5 several years ago, will cost you \$500,000 if you  
6 have it across the lifetime for 50 countries, and  
7 even the big multinational can't afford that, and  
8 it's killing our small businesses.

9           We have one market-leading small  
10 business in Georgia that is now facing an  
11 infringement situation in France because they  
12 decided they couldn't afford patent protection in  
13 Europe, and now they find that a third  
14 party--sorry--a company from a third area of the  
15 world, South Africa, is selling it to Europe, and  
16 they don't have recourse against that. So we see  
17 instances where even smart expert-oriented  
18 companies that have a market leading position  
19 domestically in the United State find themselves in  
20 a very adverse situation abroad. The costs are  
21 just way too high.

22           The papers have got to go. Now, we're

1 years behind here in American compared to where we  
2 should be in electronic filing. Unfortunately, while  
3 there's a lot of progress in trademarks, there's not as  
4 much in patents, but we need a forced march on  
5 this. We could have this globally now. There's no  
6 reason why we don't except we haven't had enough  
7 foresight.

8           The world backlog is just horrible, and  
9 if you don't believe me, then talk to Mr. Huther.  
10 He'll tell you, and I totally agree with his phrase  
11 We have a worldwide workload crisis, and there's no  
12 way it's ever going away unless we kill the rework,  
13 and you don't need to know a whole lot about  
14 quality management to know rework is wrong in  
15 principle. It's wrong in principle. It's like  
16 going the wrong way down a one-way street. I had a  
17 taxi driver here today. He was familiar with  
18 Crystal City, and he went down the wrong street to  
19 get here to Clark, and he did a wrong turn. You  
20 know, there was no right turn, and we needed to  
21 come this way. I'm not making this up. This taxi  
22 driver who followed someone else making a forbidden

1 turn, made a wrong turn. That's wrong in  
2 principle.

3           And that's what we've got. This is all  
4 wrong in principle, the rework. We've got to get  
5 to mutual recognition of search results. The only  
6 way to get there is to start removing the eccentric  
7 and cumbersome features of different national laws,  
8 and everybody is in the same boat in this regard.  
9 There are some eccentric and cumbersome features in  
10 foreign laws that are going to have to go, but  
11 there are also a couple here in America that are  
12 going to have to go, because the price tag on all  
13 of this is just way too high. I don't have any  
14 numbers on this. I intend to talk to some people  
15 at some of the think tanks in the next several  
16 months, but I would love to develop some kind of  
17 meaningful number for what this rickety 19th  
18 century system is costing the world economy in  
19 terms of growth. Is it costing us a quarter of a  
20 point a year in world growth? A half a point? I  
21 don't know. We have a huge under exploitation of R  
22 and D around the world.

1                   We sent out a questionnaire several  
2 years ago now and asked companies just here  
3 domestically, here in America, how much is the patent  
4 system delaying you in new product introduction.  
5 And we had the answers come back from 15 to 20  
6 percent of companies that said yes, it's delaying  
7 us, and they said it's delaying us by the better  
8 part of a year. That's just here in America, let  
9 alone what we've got around the world where the  
10 delays are even worse in Europe.

11                   I know we see some promising efforts  
12 with Internet-based patent-oriented services to try  
13 and match up companies, match up needs and  
14 offerings in the technology area; but, you know,  
15 we've got just a huge underexploitation of a world  
16 technology knowledge base in getting it out into  
17 the marketplace. It's costing us. This rickety  
18 19th century system isn't just a nuisance for U.S.  
19 companies, large or small. It's costing us in  
20 world economic growth.

21                   So we're hopeful to try and get this up  
22 to a strategic level. I believe it's just been

1 formally announced that there's going to be the IP  
2 summit in Beijing in April, and as several people  
3 have noted already, this whole area has--I can't  
4 say percolated because there hasn't been enough  
5 action. It's just kind of motored along in first  
6 gear at best for too many years. We are not  
7 getting nearly the action that we need.

8           So we at the NAM are going to be trying  
9 to move this up to a more strategic level. My boss  
10 is going to be making a major presentation on this  
11 in about a month or so, and that's where we are.  
12 It's really time for major, major change.

13           Thank you.

14           MR. KAHIN: I'd like to follow my old  
15 friend David Peyton's example, particularly because  
16 I was handed a presentation last night by e-mail  
17 from Jamie Love in Geneva, and I would have to give  
18 even stronger disclaimers than Al gave, because  
19 it's not only not necessarily my personal opinion,  
20 but it's Jamie Love's, and we're building a record,  
21 I understand. There's a lot here I agree with and  
22 some things I'm not so sure about, but if it can go

1 in the record, then I would like to speak  
2 extemporaneously and pick up on a number of things  
3 that David brought out which I am also very  
4 concerned about.

5 I tend to have a different perspective.  
6 I was glad to be here because I've been very  
7 concerned for many years about the small business  
8 perspective on patents. I don't have quite the  
9 same as the traditional independent inventor  
10 perspective, because I'm concerned about the small  
11 companies facing patents as well. To a large  
12 extent, this inquiry overlooks that problem and  
13 promises to pump up the patent system more and  
14 more, which from what I've seen--and I spent ten  
15 years as general counsel for the Multimedia  
16 Association that saw a lot of the tensions between  
17 small companies and large companies over patents.

18 We have a situation now where the costs  
19 of litigating patents are extremely prohibitive,  
20 especially at the low end. The AIPLA economic  
21 report shows that when the amount in controversy is  
22 under a million dollars, the average cost per side

1 is \$499,000. So that shows that small companies are  
2 inherently disadvantaged because they're going to  
3 be litigating at the low end of the spectrum.

4           I think the concerns that we see  
5 expressed about international costs are very  
6 important and need to be dealt with, but we need to  
7 begin at home dealing with costs of what litigation  
8 costs are here, and most importantly, what the cost  
9 of avoiding infringement, managing information  
10 about patents is. In the recent FTC hearings,  
11 particularly the hearings in California where you  
12 had a whole day devoted to business perspectives on  
13 patents, what becomes clear is that almost nobody  
14 reads patents anymore. The disclosure function of  
15 the system has pretty much failed, even large  
16 companies. That was reiterated again at the last  
17 serious of roundtables.

18           So my closing concern is that I support  
19 what David says about re-engineering. We can see  
20 what's happening at an international level. It is  
21 symptomatic of some of the institutional problems  
22 that we have in this own country that resulted in

1 overpatenting, particularly the attitude that you  
2 see in the PTO corporate plan of helping customers  
3 get patents. I know that's no longer there, but  
4 I'll believe it when I see it.

5           And I also want to express concern about  
6 the way that the substantive patent law  
7 negotiations have been handled, which has been not  
8 at all transparent. There's nothing on the PTO web  
9 site about the position that the U.S. Government  
10 has taken. I had to find out where the comments  
11 were on the consultation that was held in early  
12 2001 by filing a FOIA request. So I have the  
13 secret URL that you can't find with the PTO's own  
14 search engine, let alone from its home page.

15           Thank you very much.

16           MR. GLOVER: Well, I'm Jere Glover. I'm  
17 Executive Director of the Small Business Technology  
18 Coalition, and as always, my comments are my own.  
19 So let me start off with a couple of fairly  
20 specific ones.

21           I think, quite frankly, the rest of the  
22 world has it wrong. The U.S. patent system has



1 held and worked well since the beginning of this  
2 country, and the proposal to, quote, harmonization  
3 and radically change something that's worked this  
4 well needs to be not only thought about, but  
5 seriously held back.

6           One thing there seems to be consensus  
7 about is that the U.S. is the world leader when it  
8 comes to innovation and commercialization. Let's ask  
9 the question why. Is it genetic? Are we somehow a  
10 better birth right? Is it our education system?  
11 It is religion? Race? Color? Money? Venture  
12 capital? The answer is, of course, none of those  
13 things.

14           So far as I've been able to determine in  
15 studies of small business participation for 25  
16 years, there are three major things that are  
17 different in the United States than the rest of the  
18 world. The first is, quite frankly, their  
19 bankruptcy procedures. In most of Europe filing  
20 bankruptcy means you cannot get a license to drive  
21 a taxicab after you've filed a bankruptcy. England  
22 just changed that three years ago. So obviously

1 they punish people who take risks very severely if  
2 they happen to lose.

3           The next one is that--and again, talking  
4 worldwide with individuals around, one of the  
5 things we do differently when you work with our  
6 organizations or a group of scientists and  
7 technologists, you will find that there is not only  
8 racial, but sexual diversity. We use all the  
9 talents of all the people. You don't find that in  
10 most of the rest of the world.

11           And third is our patent system. Those  
12 are it, and I challenge anybody to come tell me  
13 what else there is that we do differently that  
14 makes us succeed in innovation and technology year  
15 in, year out, decade after decade after decade.  
16 And I added the second one about the diversity when  
17 someone did come to me and say, Jere, you missed  
18 one, but I've challenged probably 3,000 people to  
19 tell me something else, and I have not heard any  
20 answer.

21           So I view very suspiciously when large  
22 firms suggest that we change the basis tenets of

1 our patent policy, and let me make it very clear.  
2 When you change the first-to-invent versus first-to-  
3 file, you have made a major change. One of my  
4 business partners today is a guy who invented the  
5 laser. Thirty years of litigation, and finally he  
6 won because he was, in fact, the first inventor.  
7 He would have lost everything had it been somebody  
8 who filed before him.

9           When we talk about balance in trade, let  
10 me ask the same question. Why are we in such bad  
11 shape? Does anybody believe that U.S. labor costs  
12 on average are lower than most of the rest of the  
13 world? Do you believe our material costs are  
14 lower? Our manufacturing costs are about the same  
15 no matter where you go in terms of capital  
16 expenditures for tooling and dying? The only way  
17 that a small business can compete internationally  
18 is when they have intellectual property, basically  
19 patents.

20           The reason for the GAO study, and I  
21 happened to be involved in the GAO study in its  
22 commencement, was Senator Kerry had a bill to help

1 small businesses get financing for foreign patent  
2 fees. When he asked Senator Bond to consider  
3 sponsoring that bill, co-sponsoring that bill,  
4 Senator Bond said, Why don't we have a GAO study  
5 and let someone look into this a little further and  
6 see what we could do about cost or is there  
7 anything besides this we could do. And so he asked  
8 GAO to look into it.

9           The idea of spending some small amount  
10 of money to make small businesses more competitive  
11 internationally was an idea that made some degree  
12 of sense. We, after all, have a significant  
13 portion of the Department of Commerce and  
14 significant portions of OPEC who spend most of  
15 their time helping primarily large firms. So a  
16 little bit of money specifically for small business  
17 seems to make something seem to be fairly good.

18           The foreign patent cost in the GAO study  
19 really draws this out. It indicates that filing  
20 foreign patents costs twice as much as the U.S.  
21 filings. Now, you want to harmonize and raise the  
22 cost of filing by going to that? And I'm not just

1 talking about the fees that are reduced for small  
2 business, which you have lower fees in the United  
3 States. The total cost is twice as much overseas.  
4 So before I hear anybody say they want to harmonize  
5 with the other systems, I want to make sure they  
6 figure some way to drive those costs down and not  
7 up.

8 I think, quite frankly, that patent fees  
9 are way too high today, and I think they need to be  
10 brought down. If you do a study of the patent fees  
11 that have gone up in the last decade, you'll find  
12 they have gone up far in excess of what we expect  
13 or what inflation or what anybody thought. The  
14 small business fees, I think were originally \$700.  
15 They're significantly higher than that.

16 When we changed the patent procedures  
17 from patents lasting 17 years from the date the  
18 patent issued versus 20 years from the date the  
19 patent was filed, the average processing period was  
20 18 months. We were assured that if we went up to  
21 the harmonized system of 20 years, that we would be  
22 driving that 18 months down to less than a year.

1 Does anybody believe that that's what the average  
2 length of time it takes to process a patent today  
3 is? Those numbers have gone up, not down.

4           So again, we get a little nervous about  
5 these changes that people say they want to make and  
6 the assurances they give us that it will make  
7 things better, because in that case, we clearly  
8 have seen that we've lost. The patent period,  
9 approval process, has gone up, not down.

10           When we talk about impediments, they may  
11 well be the same for large and small business, but  
12 I've got to tell you the impact of those  
13 impediments is far, far different. Small  
14 businesses simply cannot afford those fees, and I  
15 don't care how much you harmonize, you're not going  
16 to drive the cost down enough to make it where  
17 small businesses can file those foreign fees. If  
18 you bring them down by 50 percent, you've just  
19 brought them down to the U.S. level.

20           So I think you've got a long way to go,  
21 and I was surprised that so much of this panel who  
22 was here to talk about a small business proposal

1 and a study by GAO about small business spent  
2 virtually the entire time talking about their pet  
3 project or their pet law interpretation of  
4 something they wanted to do for some other reason  
5 that really wasn't terribly relevant to the GAO  
6 study or what the proposal was supposed to have  
7 been about. First to file wasn't part of the GAO  
8 paper. So I was a little surprised and a little  
9 disappointed.

10           So let me just wrap up by saying I am  
11 concerned that we not do something that changes  
12 what makes America so great, and that's the  
13 innovative creative spirit of inventors and small  
14 businesses. Large firms do a lot, and we're not  
15 taking anything away from them, but they don't need  
16 extra money to file patents. They simply need to  
17 make a business decision that's worthwhile.

18           So I'm very concerned with these  
19 proposals, some of these proposals, but I will say  
20 that the professor makes some very interesting  
21 suggestions, and I want to compliment him on his  
22 suggestions, because if we look at things that can

1 be done to simply drive down the cost without going  
2 at the basic fundamentals, there is some  
3 opportunity to make some real improvement.

4 Thank you.

5 MR. BURSTEIN: I owe everybody in this  
6 room two apologies to begin with. The first is I  
7 didn't realize I had to be an expert on patent law  
8 to speak here. I understood that small businesses  
9 were welcome. I happen to know a little bit about  
10 technology and a little bit about economics. So  
11 maybe I'll be able to give you something  
12 interesting. The second is I'm the last speaker  
13 before the break. So the courtesy I owe you guys  
14 is being real quick.

15 Unfortunately, I've listened to a whole  
16 lot of people, and they haven't talked about most  
17 of the issues with patent law, most of the issues  
18 that apply to small business, or most of the  
19 interesting things. So I'll do my darndest to say  
20 a few things that haven't been said and maybe aren't  
21 said so often in this room.

22 Tell me a little bit about who I'm



1 talking to, give me a little bit of help. How many  
2 of you folks are primarily involved in policy and  
3 law?

4           Okay. How many of you are primarily  
5 involved in technology and engineering?

6           Okay. That explains part of what I'm  
7 hearing here, because what you hear when you talk,  
8 for example, to Don Knuth who I interviewed on the  
9 radio, Knuth is a professor at Stanford. His book,  
10 The Art of Computer Programming, is a classic, and  
11 what he's telling me about the patent law is, in  
12 fact, that it is hurting innovation and progress  
13 and technology, that what we actually have is a  
14 system that, to quote him--what do I quote on him?  
15 "The current patent system is a terrible drain to  
16 progress on our field. They're giving patents for  
17 stuff in the textbook I wrote a decade ago."

18           That's the general feeling when you get  
19 out to the people doing computer software, which I  
20 know best, doing Internet stuff, doing telecom, and  
21 doing electronics. Everybody is in favor of a  
22 strong patent if they have one. Most people don't

1 have a lot of patents and they see it as an  
2 obstacle to innovation.

3           So one of the things I was surprised  
4 about, because here these are folks who have worked  
5 so long in this field, how few of them are  
6 discussing economics. We're 30 years into the  
7 Chicago School of Law and Economics. Milton  
8 Friedman is the one who is best known. I had the  
9 opportunity last week--Larry Lessig is the one you  
10 guys probably know because he's talked a lot about  
11 this stuff, and he inspired much of my thought on  
12 this. I had the chance last week to talk to  
13 Richard Epstein. He's a something, something,  
14 something professor in Chicago. He was there being  
15 presented by Verizon. He defended Microsoft in a  
16 major case. He's a libertarian and a right-winger,  
17 but he also has studied economics as well as law,  
18 you know, law school dean, but he knows some  
19 economics.

20           And what he pointed out as we were talking  
21 about this, a patent or a copyright is a grant of  
22 monopoly. It has both costs and benefits. So far,

1 with one exception, everybody talking here has only  
2 talked about the benefits of having patents, but  
3 when you talk to Larry Lessig, for example, or  
4 Epstein or another fellow who I spoke to who you  
5 may know because he spent a lot of years here is,  
6 Alfred Kahn who deregulated the airlines and all  
7 that stuff--I also had a chance to talk to him  
8 yesterday--last week, and he pointed out as we were  
9 going over these things it's a very hard problem, but  
10 we may have gone too far in our patent system.

11           Back to the topic straight on, and  
12 apologies for the time I'm taking, typical small  
13 business high-tech electronics, a major inventor,  
14 CEO of a medium-sized electronics company. He had  
15 a leading post in a company, chip company. You'd  
16 know his name. His first name is Benny. I think  
17 he wouldn't mind my putting him on the record, but  
18 I couldn't get a hold of him last night.

19           We were talking about whether or not he  
20 was going to try to launch a product line. He  
21 makes a particular kind of modem. They now have  
22 faster stuff than VSO, which is my specialty, and

1 also cable. I said this product looks interesting  
2 in cable; why don't you try looking to apply it  
3 over there? His answer was if we don't have any  
4 patent to trade, I can't develop any product in  
5 the entire class; even winning a patent suit costs  
6 more than we can afford.

7           The vast majority of small businesses,  
8 as in the vast majority of large businesses, would  
9 rather have a much weaker patent system with far  
10 fewer patents. That's something that hasn't been  
11 here, and perhaps it's clear to people who are on  
12 this panel and people who present folks with  
13 patents, and that's, I suspect when I talk to the  
14 folks in government, who mostly talk to you and  
15 most of what you hear.

16           So I'm glad I'm here. I'm really sorry  
17 Jamie Love wasn't. Patents and like--and this is  
18 relevant because somebody has got to speak for the  
19 public interest and somebody has got to speak for  
20 economic efficiency. Okay. And I deliberately took  
21 all the right-wing people to put on there. Newt  
22 Gingrich made the point that a fee that nearly

1 everybody pays is really a tax. He was talking  
2 about what he called the Gore tax, the fee that's  
3 added to your phone bill that connects schools and  
4 libraries to the internet, but the same is true  
5 with patents, and it's causing us some  
6 international problems already.

7           There's one painful one which I call the  
8 telephone tax. It's 10 bucks on every \$60 cell  
9 phone in China. They're fighting that pretty well.  
10 They've actually come up with a whole  
11 understanding--a whole different standpoint in  
12 order to get around the deal with Ericsson, but it  
13 was funny when I was hearing about the far east  
14 harmonization. The basic reality of patent law in  
15 China is they've decided that anybody who decided to  
16 sue them in China would lose in the Chinese courts  
17 because they have the home territory advantage.  
18 They are so close in infringing Qualcomm's patents  
19 that they would obviously lose in the American  
20 courts, but Qualcomm won't dare to sue them because  
21 China is so big a market. And the basic Chinese  
22 attitude toward patents at this point is we can

1 ignore them because nobody can sue us except for  
2 products we export to the United States.

3           The second tax coming, the Microsoft  
4 computer tax. Fifteen percent of the cost of an  
5 inexpensive home PC now is covering the cost of  
6 Microsoft's operating system. When the IBM PC came  
7 out, that was less than two percent. This is why  
8 we talk about the cost of a monopoly, and a patent  
9 a monopoly that we give in order to encourage  
10 efficiency.

11           One coming that nobody has screamed  
12 about--I'd have to say sorry. I'm covering stuff  
13 that if the audience is bored, they can start the  
14 break early. It's the M-PEG IV TV tax. The M-PEG  
15 IV licensing, which is probably the future  
16 technology in television, wants to charge for every  
17 hour of every TV show that you watch. That's 20 to  
18 40 dollars per year worldwide on the average  
19 television user. They have provisions that no  
20 individual channel pays more than a million bucks a  
21 year. So they've got something for big boys and  
22 for small ones.

1           But the notion is that we're dragging  
2 down development and hurting ourselves  
3 internationally. I want to turn that around to  
4 some recommendations, but let me say why I'm going  
5 to urge you not to cut me out on time, unless I'm  
6 saying things that everybody in this room has  
7 heard. The last time I was down in the Patent  
8 Office, they locked down the buildings that were  
9 here. It was September 11th. The hearing was  
10 called off. We had no idea here what was going on.

11

12           We're now back to business as usual.  
13 That's a good thing. We have to get back and go on  
14 with our lives. The place I don't think we want  
15 to get back to is ignoring the consequences in the  
16 world and to the U.S. standing, to the U.S.  
17 competitive economy, and to U.S. foreign policy of  
18 all the decisions we make.

19           Some principles and recommendations as  
20 quick as I can: One, respect international  
21 differences. If in China they don't want to pay  
22 ten bucks on every cell phone, much less on

1 medicine, the United States should not be using  
2 diplomatic pressure to change that.

3           Second, when you talk about  
4 harmonization, what I'm hearing here is a euphemism  
5 for getting the other folks to our system that  
6 almost everybody in technology thinks doesn't work.  
7 You should hear Larry Lessig.

8 If we want to harmonize, the first thing would be  
9 to rationalize the America system.

10           Third, modify our other trade roles to  
11 pay for IP claims. If we want Brazil to pay for  
12 our movies and our medicines, we  
13 shouldn't be blocking their steel, their textiles,  
14 their agricultural goods, that when we turn around  
15 and say we're going to make more money off our  
16 patents, we've got to realize that the other side  
17 has got to get that money from somewhere and we're  
18 going to lose in other parts of trade.

19           Fourth, recognize that business  
20 decisions are on a term of five or ten years for  
21 payback investment, usually three. That means  
22 anything over 10 or 20 years is not doing what



1 Thomas Jefferson said the patent system was for, to  
2 encourage innovation. It's extracting and  
3 controlling based on what somebody did in the past  
4 that happens to have the patent for now. Extending  
5 the copyright of Casablanca is not going to result  
6 in more great movies being made.

7           Fifth, let's be honest. When you turn  
8 around and say that there's some governments that  
9 don't want to harmonize to our system, we're  
10 talking about whether or not people dying of  
11 malaria or tuberculosis can get medicine. That's  
12 pretty serious. We're talking about whether kids  
13 get books. We're talking about essentials of life.  
14 If we care about avoiding another September 11th,  
15 it is not right for us to live in a 19th century  
16 system. That one was called imperialism.

17           There is a principle of justice that  
18 says that you take care of the people who are less  
19 capable of taking care of themselves. I don't  
20 think the United States diplomacy should mean to  
21 enforce Michael Eisner's \$463 million one-year  
22 take-home. That's a lot of what we're talking of

1 here.

2           So I'm going to end that with the U.S.  
3 is rich; much of the world is poor. We are at war  
4 in Afghanistan. We may be at war in Iraq. One day  
5 we will need an ally named Egypt. We will need an  
6 ally named South Africa. The reason I'm here is to  
7 say that all these decisions that we are talking  
8 about and everybody to the right of me at this table  
9 should be thinking about whether this is going to  
10 improve the U.S. standing in the world and the  
11 moral respect we have for the work we're doing, and  
12 I'm saying that in particular to you who work in  
13 industry and work in the Patent Office and hear so  
14 much from lobbying and so little preaching.

15           Apologies for the preaching. Thank you  
16 for the time.

17           MR. KATOPIS: I want to thank all the  
18 panelists for round one and for a very informative  
19 discussion. There is more. So I think this might  
20 be an appropriate juncture for a ten-minute break.  
21 We will come back at 2:45 and hear round two.

22           So thank you all.

1 [Recess.]

2 MR. KATOPIS: Welcome back, and we have  
3 a lot more to cover this afternoon. So in the  
4 process of moving things along, let's begin again  
5 with the Honorable Gerald Mossinghoff. I'd ask all  
6 the presenters to try to keep their remarks to  
7 about five, seven minutes; and again, the written  
8 materials, we're going to put on the web site and  
9 summaries for Congress and the GAO. So everything  
10 that you have in your answers will be made  
11 available to the public.

12 So, Gerald, please kick it off.

13 MR. MOSSINGHOFF: Chris, I'm not  
14 positive what I'm kicking off here. Having heard  
15 all the remarks down the panel, I can officially  
16 say I stand by my original presentation. No one  
17 has changed my mind, which has been the story of my  
18 life for a long time.

19 I just think it's important when we talk  
20 about small business and international harmonization to keep  
in  
21 mind I think a fairly clear distinction among small  
22 business or independent inventors. There is the

1 kind of independent inventor that I'm very familiar  
2 with, having been with the Pharmaceutical Research and  
3 Manufacturers of America, and that, for example, a  
4 biotech company, but it's also true in a lot of  
5 other companies that immediately, when they think of  
6 innovation, they think globally, and they know they  
7 have to get protection around the world.

8           It's particularly important in the  
9 pharmaceutical and biotechnology area. There's a  
10 strange rule of law which I was going to ask Nancy  
11 about, and if we have another break I'll ask her  
12 about that, and that is the fact that someone  
13 importing in the United States illegally an  
14 unapproved drug and selling it illegally in the  
15 United States, which I believe is a felony under  
16 the food and drug laws, actually creates a 102(B)  
17 bar. So you've got a really strange situation  
18 where the patent laws and the food and drug laws of  
19 the world come together, and we really do need  
20 harmonization in the area and other high-technology  
21 industries.

22           At the same time, there's a very

1 important element of small business that couldn't  
2 care less about international harmonization. They're strictly  
3 looking for the rich, good U.S. market. We are the  
4 richest, freest market in the world, and they  
5 don't have any interest in harmonization or in the  
6 ease with which one gets international patents. My  
7 suspicion is that the first group are on the rise  
8 in importance, and the second group are on the  
9 decline in importance. So I think the GAO and the  
10 congressional interest in this just demonstrates  
11 the fact that small business is generally moving  
12 towards those who think globally in the global  
13 markets, and there, I can't imagine that you  
14 wouldn't push for a harmonized system to make  
15 things easier and less expensive for them.

16 MR. KATOPIS: Okay.

17 MS. LINCK: Thank you. I'm pleased to  
18 hear what Gerald had to say about there being small  
19 businesses and small businesses, because I think  
20 I've heard some speaking on behalf of small  
21 businesses that make me wonder, since I, in fact,  
22 do represent a small business, and certainly some

1 of the views expressed are not the views of my  
2 small business, and perhaps the differentiation  
3 between those in the pharmaceutical area and those  
4 in some other areas explains that.

5 I believe the second half was designed  
6 to address certain specific questions that were  
7 posed, and I think many of those questions were  
8 answered previously, but I'll try and hit some of  
9 them that perhaps weren't.

10 The first question, what can be done at  
11 the domestic level to assist small businesses in  
12 obtaining foreign patents or otherwise better  
13 protect their intellectual property, and is there a  
14 need for legislation in this area, I think what can  
15 be done domestically is that the U.S. can move  
16 toward a system that is more harmonized with the  
17 rest of the world. Again, first to file is one  
18 area in which we need to harmonize. We could  
19 unilaterally go to a first-to-file system. We  
20 could also get rid of our present restriction  
21 practice. In fact, there is some agreement in the  
22 strategic plan with the Patent and Trademark Office

1 to look at this. I think the U.S.'s restriction  
2 practice is extremely harmful to U.S. companies,  
3 particularly those in the drug area, and what we in  
4 the pharmaceutical area are pursuing is a unity of  
5 invention standard, and that, again, would move us  
6 toward harmonization with the rest of the world.

7           Other changes that would move us toward  
8 harmonization would be elimination of best mode and  
9 allowing an assignee to file a patent application,  
10 as I believe Herb mentioned earlier. Legislation  
11 would be required for most, if not all, of these  
12 changes.

13           The question also asked what current  
14 programs are considered current successful. Again,  
15 I believe the only current program that we would  
16 consider successful is the PCT. One problem with  
17 using the PCT to enter the U.S. is its impact on  
18 obtaining patent term adjustments, and in the  
19 pharmaceutical industry, such term adjustments are  
20 extremely important. One solution might be to  
21 adjust the three-year period to something less when  
22 an applicant enters through the Patent Cooperation

1 Treaty, and I would think that the Patent and  
2 Trademark Office could use its statistics to  
3 determine how much faster applications are allowed  
4 when they enter through the PCT rather than when  
5 they enter--when they are originally filed in the  
6 United States, and that differential in time  
7 perhaps could provide a basis for some adjustment.

8           In addition, when examining PCT  
9 applications, the Patent and Trademark Office  
10 should apply unity of invention as the EPO does  
11 instead of applying a restrictive view of a single  
12 inventive concept. While Guilford Pharmaceuticals  
13 uses the PCT whenever possible, we prefer to go  
14 through the EPO because of the way the PTO applies  
15 unity of invention.

16           The second question was what are the  
17 major obstacles faced by small businesses when  
18 attempting to obtain a patent in foreign countries.  
19 We already talked about cost being the biggest  
20 obstacle and when entering the national stage, a  
21 small business is typically facing translation costs  
22 of several hundred thousand dollars for a



1 relatively small number of countries.

2           We've already talked about the other  
3 obstacles. We were asked to order them in order of  
4 priority. I believe I certainly would put the cost  
5 of translations as number one. The other obstacles  
6 with respect to substantive issues, with respect to  
7 enforcement and damages, I would put those all on  
8 approximately the same level. Formalities, I would  
9 put lower on the ladder with respect to importance.

10           The third question was are there any  
11 existing programs successfully helping small  
12 businesses to obtain patents in multiple countries.  
13 I believe I've already answered that question.

14           The last question was should any new  
15 initiatives beyond current patent harmonization  
16 efforts be undertaken internationally. I don't  
17 know if these are new initiatives. I actually  
18 think the Patent and Trademark Office has been  
19 working on these, but number one, the U.S. should  
20 find a way to get foreign countries to minimize  
21 translation costs, and perhaps through  
22 work-sharing, that can happen. The U.S. should

1 also play an active role in preventing violation of  
2 TRIPS and should oppose any treaty that undermines  
3 patent rights in developing countries, such as the  
4 draft that recently emerged from Geneva.

5           Further, to the extent it's able to do  
6 so, the U.S. should promote harmonization in  
7 Europe, such as through the proposed European  
8 patent to be honored throughout Europe and one  
9 European patent court to enforce such a patent.

10           And I believe that's all I have. Thank  
11 you.

12           MR. KATOPIS: Thank you.

13           MR. WAMSLEY: I'll try to avoid too much  
14 duplication here and hit a few key points,  
15 including some I made before maybe. With regard to  
16 the four questions, I'm in agreement generally with  
17 the things that Nancy just said about the four  
18 questions.

19           Question one about what could be done at  
20 the domestic level to assist small businesses in  
21 patent protection, as I mentioned earlier, there  
22 are improvements that can be made in the U.S.

1 patent system. Perhaps some things like first-to-  
2 file have been held back in the U.S. because of a  
3 feeling that we were moving toward a harmonization  
4 treaty in the near term. To us, it doesn't look  
5 like we're going to see a harmonization treaty, at  
6 least at the WIPO, in the near term.

7           So we think that it's time to examine  
8 first-to-file in detail. This is not an issue  
9 without controversy, but there is a lot of  
10 information that hasn't been looked at closely,  
11 like Mr. Mossinghoff's recent article in the  
12 Journal of the Patent and Trademark Office Society,  
13 getting down to the level of showing what the  
14 impact would be on small businesses one way or the  
15 other with first-to-file, first-to-invent; and so  
16 encourage more of a debate on this, looking to  
17 possible reforms in the U.S. system that at the  
18 same time would lead toward harmonization.

19           On the cost of foreign systems--this is  
20 still on the question one, but it was mentioned  
21 that foreign systems cost twice as much as the U.S.  
22 system. There is a lot of data about that. I

1 think more analysis is needed, but one of the  
2 reasons that some foreign systems are so expensive  
3 is the very high maintenance fees, and you look  
4 into where those maintenance fees go in the foreign  
5 countries. Those fees don't go to run the  
6 patent and trademark office. Reform of that is  
7 definitely needed.

8           The problem with diversion of patent  
9 fees abroad is greater than the problem with  
10 diversion of patent fees in the United States.  
11 Unfortunately, we've diverted so much of the  
12 money in the Patent and Trademark Office in the  
13 U.S. since the beginning of about 1992, the total  
14 by now is more than \$600 million actually diverted,  
15 and depending on projections, it could be  
16 quite a bit higher soon. The United States should  
17 set a good example on this, but the foreign  
18 systems, the problems there have to be attacked,  
19 and I don't think that we are going to be doubling  
20 the cost of our system by changing our substantive  
21 law on some points to be more like the foreign  
22 systems. There are other factors here, like

1 diversion.

2           On the Question No. 2 about ranking the  
3 major obstacles faced by small businesses when  
4 attempting to obtain patents, at IPO, we talked  
5 about this, and the way we ranked them was  
6 different substantive requirements for the U.S.  
7 number one, difficulty in enforcing patents in many  
8 foreign countries number two. Enforcement is a  
9 topic that's often overlooked when talking about  
10 harmonization, but enforcement, which I take to  
11 refer broadly to things like scope of the patent as  
12 well as weaknesses in the courts and administrative  
13 system abroad, those problems are so great that  
14 they may cause applicants to not even seek to  
15 obtain patents in many countries. So you can't  
16 really separate the obstacles to obtaining patents  
17 from the obstacles to enforcement, and enforcement  
18 should be high up on the list.

19           And then we ranked expense of  
20 translation as number three and expense of  
21 formalities, requirements, number four.

22           Question No. 3, as it's been noted, PCT

1 is a successful program for helping small  
2 businesses obtain patents in multiple countries. A  
3 number of things are underway to improve PCT. We  
4 support those, and further improvements should be  
5 pursued.

6           On new initiatives, as we mentioned,  
7 there are other approaches to harmonization besides  
8 the WIPO. The United States, just as an example, to  
9 talk with Canada. Pacific Rim countries were  
10 mentioned or Mexico or others. If there was a  
11 multilateral treaty with a group of such countries  
12 that had first-to-file, had a 12-month grace  
13 period, same substantive requirements, that would  
14 be a good step toward a situation where a U.S.  
15 business, small or large, could file a single set  
16 of claims and all those countries work with a  
17 single set of rules, and we think it would really  
18 bring down the costs.

19           So those are a few highlights, and  
20 finally, I'd just say about the patent system in  
21 general, we're not going to settle in this meeting  
22 whether patent systems should be weak or strong.

1 It may depend on who you talk to, but in our  
2 association, we have 100 U.S.-based corporations  
3 who are members, large businesses. We have about  
4 70 small businesses and independent inventors.  
5 Those are the folks I talk to, and, you know, those  
6 are the folks who are innovators. Maybe those are  
7 the folks who joined our association because  
8 they're the innovators, but the innovators, the  
9 people who are coming up with the technology, they  
10 want ways to protect. There's no question about  
11 that, and they want to protect more effectively in  
12 the United States and abroad, and that's what we're  
13 going to be looking for.

14 MR. TRAMPOSCH: Just for the record, I'm  
15 not Charlie Van Horn. I want to let everybody know  
16 that Charlie is not sitting in his chair. I'm not  
17 him. I'll go that far in saying that.

18 I have submitted written responses to  
19 these questions, and I'd just like to hit a few  
20 highlights without repeating what was said in the  
21 earlier session. First, with respect to the costs,  
22 there are a number of developing countries, and one

1 I'm aware of most recently is Singapore, that are  
2 setting up programs to subsidize their small  
3 inventors, individual inventors in small companies  
4 who want to file in foreign countries and simply  
5 can't because of the cost. It's a very substantial  
6 program, and it just brought to mind--I think Mr.  
7 Glover mentioned something like this in the context  
8 of the GA0, that perhaps there could be some U.S.  
9 agency like a Small Business Administration that  
10 could provide loans or grants to small inventors,  
11 specifically for the purpose of filing for foreign  
12 patent applications.

13 I would like to point out that many  
14 small inventors actually lose control of their  
15 intellectual property rights, their U.S.  
16 intellectual property rights, because of the high  
17 cost of foreign patenting, and this is because they  
18 are forced to find either a purchaser or a licensee  
19 of their U.S. rights in order to fund their foreign  
20 filings. So this is something that's forcing them  
21 to give up full control of their U.S. rights, and  
22 perhaps that's something that shouldn't happen



1 simply because of costs.

2           Now, Nancy had mentioned that there is  
3 only one successful program for helping filers  
4 internationally, and that's the PCT, and I agree to  
5 the extent that we're talking about recent  
6 programs, but I would remind everyone that the  
7 Paris Convention priority right is another program.  
8 It's been around for a hundred years, and, in fact,  
9 it's such--I think what Nancy said--she certainly  
10 knows about the Paris Convention priority period,  
11 but the reason that she didn't mention it is  
12 because it seems like such an integral part of the  
13 patent system. I'd like to remind us that it's  
14 not. It didn't exist before the 1880s and, in  
15 fact, was not global in scope until the last  
16 decade, in fact, until the TRIPS agreement  
17 encouraged a lot of developing countries to join  
18 the Paris Convention because they had to abide by  
19 it in any event.

20           Now, I think the international priority  
21 period is much more user friendly, and it's much  
22 more widely used than the PCT, and we shouldn't

1 forget that it is a program specifically designed  
2 at its inception to address the kinds of issues  
3 that we're talking about today, and we should think  
4 about using that very, very successful program as  
5 part of the solution.

6           With respect to new initiatives, I'd  
7 like to make two points. The first one is simply a  
8 suggestion that we finally drop the other shoe and  
9 really tackle the issue of first-to-file versus  
10 grace period if people really want to and throw out  
11 all the other issues or keep them aside and simply  
12 address the trade-off of a grace period versus  
13 first-to-file. Maybe we could do it in a limited  
14 number of countries, maybe bilaterally between the  
15 Europeans, because that's really where the--and the  
16 Japanese also, because that's really where the  
17 controversy is, and see what happens; are they  
18 willing to trade-off grace period for first-to-  
19 file.

20           Grace period is extremely important.  
21 It's especially important to small businesses. I'd  
22 like to emphasize that it was mentioned at one

1 point, and I'd like to emphasize how important that  
2 is because any small business or small inventor  
3 that publishes, talks about their invention, does  
4 anything public before they file in the United  
5 States has already lost all of their foreign  
6 rights. They don't have to worry about the cost of  
7 it. Maybe that's a benefit, but they don't have  
8 any rights, foreign rights, whether they want to or  
9 not, and grace period would solve that problem.

10                   Secondly with respect to new  
11 initiatives, I would strongly recommend that the  
12 United States Government pursue an alternative  
13 forum for international substantive patent  
14 harmonization, one that is not fully global, for a  
15 lot of the reasons that have been mentioned  
16 already. Such an alternative forum should  
17 primarily involve the countries that are most  
18 active in granting patents, including but not  
19 limited to the current trilateral partners. These  
20 countries tend to be the ones that most interested  
21 in building an international patent system that  
22 makes with the current state of high technology,

1 high technology not just in the sense of what's  
2 being patented, but also in terms of the  
3 sophistication of the procedures that are available  
4 for obtaining patents, electronic communication in  
5 its global scope, etc.

6           To be successful, such negotiations  
7 should involve representatives of the political  
8 arms--should also involve representatives of the  
9 politics arms of the governments or regional  
10 authorities. I'm particularly thinking about the  
11 European Union. I think we have an open window now  
12 because the community patent is not yet set, and we  
13 have an opportunity as the United States to talk  
14 directly with the European Union and perhaps come  
15 to some bilateral agreements that could be  
16 incorporated directly into the community patent  
17 discussions.

18           Finally, the chosen forum should not be  
19 a self-interested permanent organization since the  
20 underlying goals of any such entity cannot ever be  
21 free from its own financial and politically secure  
22 future. One possible option of an alternative

1 forum could simply be the engagement of a small  
2 team of experienced professionals on a project  
3 basis to serve as an international secretariat, and  
4 I am speaking as someone who lead the international  
5 secretariat at WIPO for the international  
6 negotiations in patents and in trademarks,  
7 including the diplomatic conference for the patent  
8 treaty in the year 2000.

9           This could all be done simply by a team  
10 of experienced professionals with a couple of  
11 computers, a fax machine, and some telephones, and  
12 plane tickets. A team like that could operate on a  
13 very modest budget, and very significantly, would  
14 not have conflict of interest since its work would  
15 conclude upon the successful completion of the  
16 internal agreement being negotiated. Again, this  
17 ties in with the idea of having agreements  
18 negotiated in the context of an organization that  
19 has to see to its own future.

20           Thank you again.

21           MR. HELFGOTT: It was my understanding  
22 that the second part of the program would basically

1 address the issues of small businesses, not only in  
2 the area of harmonization, but how we can assist  
3 them generally in getting foreign patents. I've  
4 broken it into three areas, part of which I addressed  
5 previously and I'll just summarize. One is  
6 improving the international patenting system. The  
7 second is providing an educational program on the  
8 international patenting system, and the third is  
9 addressing the costs for foreign patents.

10           In connection with improving the  
11 international patenting system, we already spoke  
12 about the harmonization efforts and the problems  
13 that it's facing and the ultimate hopes for the  
14 future, but I think there are other areas that must  
15 be addressed in improving the international system  
16 to assist small businesses. We spoke about the  
17 translation problem, but I would suggest that the  
18 U.S., to the extent possible, exert its influence  
19 to encourage all countries to accept English as a  
20 second language and permit all filings in the  
21 English language. English is already accepted in  
22 most countries. Most patent office examiners must

1 understand English in order to cite and understand  
2 references, most of which are in the English  
3 language; thus the English language capability is  
4 already present in most patent offices, and  
5 requiring them to accept patent applications in  
6 English would not be an undue burden.

7           Furthermore, the translation of granted  
8 patents into the local language should only be  
9 required when the applicant desires to enforce the  
10 patent; otherwise, the patents remain in the  
11 English language.

12           With respect to educational efforts,  
13 small businesses do not have an adequate  
14 understanding and appreciation of the patent system  
15 in general. I was one of the panelists on the GAO,  
16 and this was carefully brought out during the  
17 study. Although everyone appreciates the  
18 sensitivity to the significance of patents, the  
19 difficulties and complexities of the system in  
20 general, accompanied by the high cost of legal  
21 advice in this area, often preclude small  
22 businesses from obtaining the necessary information

1 needed to obtain patent protection domestically  
2 and, even more significantly, internationally.

3           As was previously mentioned, because of  
4 the failure of the existence of the grace period of  
5 foreign countries, coupled with the absolute novelty  
6 bar in most foreign countries, small business often  
7 lose their intellectual property rights overseas  
8 inadvertently through public disclosure. Simple  
9 acts of disclosure in trying to raise joint venture  
10 capital or a disclosure in trying to initially market  
11 a product may cost the small businesses all of its  
12 international patent protection capability.

13           I would suggest that additional steps be  
14 taken to provide the necessary warnings and  
15 education to small businesses. This could be  
16 achieved in a number of ways. For example, the  
17 USPTO could prepare a printed booklet for small  
18 businesses, providing guidance and information not  
20 only domestically, but internationally. The USTO  
21 should provide speakers and submit written  
21 articles to all associations in which small  
22 businesses participate and publications to which



1 they subscribe.

2           I believe the USPTO should encourage  
3 all Patent Bar associations, both national and  
4 regional, to institute a program to address small  
5 businesses in their area service. They should  
6 include special committee to address small  
7 businesses, special recognition to those Patent Bar  
8 associations that undertake such programs, and  
9 nationwide advertisement of the availability of  
10 such programs.

11           Furthermore, education in the importance  
12 of understanding of patents should be included in  
13 regular curriculums and school studies. Whether it  
14 be on the high school level or on colleges or  
15 university programs in creativity, the importance  
16 of innovation, and the understanding of patents  
17 domestically and internationally should be included  
18 in school curriculums so that at an early age,  
19 people will have a better understanding of the  
20 intellectual property system and be stimulated for  
21 creativity and innovation at an early age.

22           In connection with the cost of

1 international patenting, it has already been  
2 pointed out the tremendous cost of foreign patents.  
3 I'd like to break that out into three areas and  
4 make suggestions on what can be done to address and  
5 assist small businesses in these areas. One is  
6 official fees. The second is translation fees, and  
7 the third is legal service fees.

8           In connection with official fees, I  
9 believe the U.S. already has a program subsidizing  
10 the official fees for small businesses, which we  
11 call the small entity fee. Specifically, we give  
12 them a 50 percent reduction in most of the filing  
13 fee costs. While we may look at this as simply a  
14 reduction of fees, essentially it is a subsidy to  
15 small business which must be paid for by others.  
16 The budget of the USPTO is covered by fees.  
17 Since the fees are generally set on a cost recovery  
18 basis, to the extent that the small entity pays 50  
19 percent of the fees, they are not paying for the  
20 full cost of the particular service; thus others  
21 utilizing the USPTO are already effectively  
22 subsidizing the costs of small businesses.

1           I believe this demonstrates the  
2 acceptance that it is important to aid small  
3 businesses in getting patent protection, and this is a  
4 significant aspect towards the economic  
5 advancement of the United States. I would suggest  
6 that the U.S. Government, likewise, consider that  
7 there should be a subsidy to small businesses in  
8 connection with foreign fees as well. In that  
9 case, it would be an outright grant. To the same  
10 extent that the small business provides an economic  
11 advantage to the United States economy  
12 domestically, I believe their obtaining  
13 international protection would likewise benefit the  
14 economy of the United States.

15           It is suggested that criteria be  
16 established for such small businesses in order to  
17 obtain such subsidies from the United States. As  
18 an alternative to direct subsidies, the U.S. could  
19 establish a program along the lines of present U.S.  
20 Government grants for research and development.  
21 U.S. Government agencies provide money to assist R  
22 and D in return for which they take back certain

1 types of licenses on intellectual property rights  
2 to permit government use on those intellectual  
3 property rights.

4           A similar subsidy could be provided to  
5 small businesses in the form of a grant to assist  
6 them in intellectual property protection in foreign  
7 countries. The U.S. Government might take a grant  
8 back, either in the form of a royalty-free license  
9 under such foreign patents or to the extent such  
10 foreign patents are utilized either in the form of  
11 licensing or sales, the U.S. could take back a  
12 percentage of such potential future income.  
13 Alternately, a third plan could be similar to  
14 subsidizing education loans. The U.S. could take  
15 back the grant money itself after a certain number  
16 of years so long as the small business remains in  
17 existence and is profitable.

18           The second area is translation fees.  
19 While, as we said before, endeavors should  
20 continue, undeniably, to eliminate the multiple  
21 translations; however, to the extent they still  
22 exist, the U.S. should consider establishing a

1 translation service which can be used by small  
2 businesses on a cost basis alone. By eliminating  
3 the profit of translation costs or providing such  
4 on a mass scale, it is believed that considerable  
5 reductions in translation costs would be obtained  
6 through this government service. In most foreign  
7 countries, translations are done by attorneys or by  
8 their outside translation staffs, and the profit  
9 markup is tremendous. To the extent such markups  
10 can be eliminated through the government-sponsored  
11 nonprofit translation service for small businesses,  
12 those costs could be substantially reduced.

13           With respect to the legal services fees,  
14 these include both U.S. patent attorney fees and  
15 foreign patent attorney fees. Concerning domestic  
16 legal fees, it is noted that in many areas,  
17 especially the criminal area, but in some civil  
18 areas as well, reduced cost legal services are  
19 provided to those who are incapable of affording  
20 it. This is done either through encouraging law  
21 firms to provide pro bono work or through various  
22 legal societies which are funded through government

1 or private foundations.

2           It is suggested that similar assistance  
3 be provided in the patent area to such small  
4 businesses. The U.S. Government could provide  
5 incentives to law firms to provide pro bono  
6 activities for small businesses and assisting them  
7 in protecting their intellectual property.  
8 Additionally, legal aid societies should be  
9 established through Federal grants or private  
10 collections which could also provide reduced cost  
11 patent legal services to small businesses.

12           While this addresses the domestic legal  
13 costs, activities must also be undertaken to  
14 address foreign legal service fees. It is believed  
15 that the U.S. Government could also assist in this  
16 area as well. U.S. already had a domestic program  
17 for obtaining the services of U.S. legal firms who  
18 will handle U.S. Government-originated work at  
19 reduced costs subject to the guarantee by the U.S.  
20 Government to providing them a quantity of work.  
21 The U.S. might also undertake negotiations with  
22 foreign patent law firms to obtain low cost

1 services for such small businesses on the guarantee  
2 that the U.S. would direct to them quantities of  
3 work from such small businesses. In this way, the  
4 U.S. could provide a list of firms to such small  
5 businesses, those firms being in foreign countries  
6 who would handle legal services in patent areas at  
7 reduced fees.

8           I point out that Japan in their recent  
9 strategic plan has already included a number of a  
10 areas to address small businesses, both cost-wise,  
11 education-wise, and for the purpose of encouraging  
12 creativity. They already have budgets in these  
13 areas, and they have this plan for the next three  
14 years. I think we should likewise address what we  
15 can do to encourage our small businesses.

16           Thank you.

17           MR. PEYTON: David Peyton, NAM. Let me  
18 address some of the specific questions and try to  
19 mention a couple points that may not have been  
20 raised yet today.

21           With respect to major obstacles faced by  
22 small businesses abroad, we heard at great length

1 about translations. One thing hasn't been  
2 mentioned. I know there's been almost some near  
3 despair about lack of progress in this area in  
4 years past, but machine-aided translations, the  
5 software. I assume the software is getting better.  
6 It's not going to be a total answer, but I assume  
7 there's got to be some progress toward reducing the  
8 amount of brain time that has to be put in by a  
9 lawyer or by a skilled technical translator. I  
10 don't know where all that is.

11                   Formalities requirements and different  
12 substantive requirements. One comment I got back  
13 very strongly from my membership was on the  
14 formality of most foreign patent offices to require  
15 the submission of a certified copy of the U.S.  
16 patent application, and when you think about it,  
17 this isn't just 19th Century. This is almost more  
18 18th Century with people wearing britches and shoes  
19 with buckles and three-cornered hats and hot  
20 sealing wax and rings. To be going through all of  
21 this in the age of e-mail is really most peculiar,  
22 and this has got to be superceded by encrypted



1 transmission. Encrypted electronic transmission is  
2 really the right answer here, but even in the  
3 meanwhile, we don't see why you can't get rid of  
4 this and have some kind of authorized agent submit  
5 paper copy instead of having to go through the  
6 diplomatic stuff, which is what you have to do with  
7 embassies and consulates.

8 I even had one household name company  
9 tell us that they lost protection in Japan because  
10 they couldn't get the certified copy to the JPO in  
11 time. So if it's that bad even for a Fortune 100  
12 company, how bad is it for a much smaller company.  
13 Presumably, it's worse.

14 Existing programs to help small  
15 business. Let me tell you about one self-help  
16 program. Now, there's only one NAM company that I  
17 know who is actually doing this. I just don't know  
18 how widespread it is, but it's such an interesting  
19 business. When they do business abroad, they find  
20 a business partner, and then they insist on the  
21 creation of a new 50-50 jointly-owned joint  
22 venture. So it's the JV then that's the entity

1 that receives the technology from the United  
2 States, and then the JV itself does business only  
3 if other parties agree to contractual terms of  
4 arbitration, and the arbitration has to be English.

5           So they side-stepped going to the  
6 national board. They believe that arbitration is a  
7 more reliable path to solving any disputes around  
8 the world than going to national court under the  
9 Paris Convention, and the place of arbitration can  
10 vary. It can be in any number of the European  
11 countries. To their mind, the more important  
12 requirement is that the arbitration be conducted in  
13 English, rather than what country it happens to be  
14 conducted in. And their assessment is that the  
15 national laws standing behind arbitration laws and  
16 contracts are more uniform around the world at this  
17 point and more reliable than IP laws themselves.

18           So here is something that you might want  
19 to look into to see the extent to which small  
20 businesses can help themselves with the  
21 arbitrational-based model.

22           And then third, you might want to take a

1 look at what the European Union is doing with  
2 regards to insurance programs. Now, we're not  
3 aware of any evidence that somehow there's a big  
4 failing in the insurance market here. So we're not  
5 saying this is something we're endorsing by any  
6 means, only noting that the EU is looking into this  
7 as part of the program under the Danish presidency.  
8 There was a conference in Denmark at the end of  
9 October, looking at assisting small business in  
10 getting IP-related, in particular patent-related,  
11 insurance. I don't know of anyone who was at the  
12 event, but this event did at least happen, and  
13 there was some thinking that for whatever reasons,  
14 smaller businesses are facing problems in the  
15 insurance market here.

16           And that's all I have.

17           MR. KAHIN: Well, I was going to talk  
18 about the insurance issue too, because I've been  
19 looking at what's going on in Europe. That is a  
20 very interesting development.

21           I think the major single problem that  
22 small businesses--this may be true of large

1 businesses too, but they manage it a lot  
2 better--facing the patent system in either  
3 asserting patents or avoiding patents is  
4 uncertainty, and the perception here, particularly  
5 in the IP sector, is the uncertainty is  
6 intolerable, and it's a matter of life and death  
7 for small businesses, and again, you can look at  
8 the FTC hearings for both small and large company  
9 perspectives on this.

10           So in Europe, there is this interest in  
11 insurance programs, and I have looked at the  
12 situation in the U.S., not for some time, but to  
13 get a sense of the comparison, I remember that the  
14 difference between the cost of ordinary errors and  
15 omissions insurance which protects against  
16 copyright infringement and insurance that protects  
17 against patent infringement is about an order of  
18 magnitude and with much higher--what do you call  
19 it?--exceptions and much lower limits for patent  
20 insurance. I think it's something that's certainly  
21 worth looking at if you care about how small  
22 businesses are able to manage the risk and whether

1 the insurance is affordable.

2 I don't think the insurance market has  
3 really taken off here. I've been told by people  
4 that it comes and goes. Sometimes it's easy to  
5 get. Sometimes it's hard to get. It's certainly  
6 worth looking at.

7 The other subsidy idea which Al raised  
8 and Mr. Helfgott also raised, subsidizing foreign  
9 applications, is also an intriguing one, but I  
10 think it's potentially fraught with problems,  
11 political problems. Is this an illegal export  
12 subsidy?

13  
14 MR. KAHIN: It would also play out in  
15 some ways that I think would not work to our  
16 advantage in the long run, because their access to  
17 our markets is probably a lot more valuable to them  
18 than our access to individual foreign markets,  
19 because all those markets are smaller than ours.  
20 So if this were politically acceptable, I think the  
21 Europeans would very quickly get the idea of  
22 subsidizing their inventors to get patents in the

1 U.S. market, and the idea of the government taking  
2 an interest in these patents is just dynamite in  
3 the worst sense. It would politicize the whole  
4 international debate around patents much more than  
5 it already is.

6           Finally, let me suggest that I like  
7 education. I'm at a university. I love research,  
8 and so I'm always glad to see more money thrown at  
9 it. I would like to know whether the money that  
10 the ABA proposes would be simply supporting  
11 propaganda from the perspective of the Patent Bar  
12 or whether it would really look at how the patent  
13 system functions. We need a lot more  
14 research about that. We know precious little about  
15 what goes on between the grant of patents and what  
16 actually ends up in litigation, and that's where  
17 the action is.

18           MR. GLOVER: Well, one of most shocking  
19 things in the GAO study was the cost of foreign  
20 patents for small business. \$160,000 to \$330,000  
21 was the range. What do you do to change those  
22 numbers significantly enough to affect the small

1 business' decision. Remember that small businesses  
2 rarely have \$330,000 laying around to spend if  
3 that's what's needed to do anything, and with a  
4 venture capital market that has virtually dried up  
5 for any new ideas, new technology, and new  
6 companies, it's unlikely they're going to be able  
7 to get that money quick and easily.

8           So I think we've got a fairly  
9 significant problem that really begs a solution,  
10 but in this day and age of restricted budgets where  
11 you want to try to do something that is more or  
12 less revving in neutral, that becomes a real  
13 challenge. The original bill that Senator Kerry  
14 had drafted provided a pilot project to see if it  
15 would work, and it incorporated some of the funding  
16 suggestions, but had a repayment provision in them  
17 so that once the company was successful in  
18 patenting it, foreign patents, and got sales and  
19 royalties, that the government would get back  
20 enough to make the project revving in neutral.

21           If the cost is \$160,000 to \$330,000,  
22 that simply doesn't make the math work very well.

1 So I'm not sure how that's going to--how you  
2 affect that. Now, that means that the small  
3 business really does have to choose, under anything  
4 that you do, a more narrowly-focused group of  
5 countries. I think some of the suggestions--such  
6 as the Department of Commerce provides a lot of  
7 help for companies who want to sell their products  
8 overseas. They run trade missions. They have desk  
9 officers in the embassies. They have a lot of  
10 things that happen, but a translator who would make  
11 those translations more economical certainly makes  
12 a lot of sense, and quite frankly, that kind of  
13 activity does far more for the small business in  
14 reducing their cost than harmonizing a lot of the  
15 patent process would.

16           A lot of things can happen that will do  
17 that incrementally over a long period of time, but  
18 we need to think about those things that could  
19 actually happen fairly quickly. I think the  
20 education ideas, I think some modest funding, the  
21 pilot project, maybe just for the small business  
22 research companies who have already been selected



1 by the government as having significant technology  
2 that the government wants is a smaller universe  
3 that you could begin with.

4           Part of the idea for giving grants was  
5 an educational mission. Once small business knows  
6 there's a grant, they will then focus on the issue  
7 and make a decision. The tragedy from an export  
8 point of view with U.S. technology that is not  
9 commercialized by U.S. companies, but by somebody  
10 else overseas, is small businesses never focus on  
11 the decision. They know it's fairly expensive, and  
12 they never think about it. The idea of some sort  
13 of award, some sort of program specific makes them  
14 think about that decision. It makes their  
15 investment partners, people who are putting money  
16 into the companies, whether they're agents,  
17 business partners, or venture capitals have a  
18 reason to think about that decision.

19           Most of the time, U.S. technology is  
20 given away internationally. We can all look at  
21 thousands of instances where U.S. technology has  
22 not been commercialized by U.S. companies, but in

1 effect copied by overseas companies. You know, we  
2 look back a decade ago and marvel at how a few  
3 countries had companies that were masters at taking  
4 U.S. ideas and commercializing them and then coming  
5 back and beating the U.S. in the marketplace  
6 because we didn't have intellectual property  
7 protection.

8           So we do need to do something to  
9 encourage solutions to that problem, and I think  
10 perhaps a modest program to finance it, coupled  
11 with the Department of Commerce seriously looking  
12 and staying looking at what they can do--they hire  
13 translators all the time, and patent attorneys on  
14 the panel here, I'm sure can attest that they have  
15 a lot of trouble and expense every time they send  
16 on of their patents over to be translated, and if  
17 we could find a way to do some efficiency at that  
18 level, it would certainly make a lot of sense.

19           I think the Patent Bar has done a good  
20 job of educating individual companies when asked  
21 early, but a very bad job of asking those companies  
22 who should ask those questions but don't, and I

1 think that suggestions that education be more  
2 proactive as opposed to responsive to businesses  
3 who walk in the door is, again, a good suggestion.

4           So I think we've heard some good ideas,  
5 and I hope we don't get tied up in the more  
6 complicated long-term issues that may not be  
7 resolved in our lifetime or certainly not this  
8 decade, but actually go forward and do something  
9 fairly quickly, because it will be important.  
10 We're in a technology crisis right now. Most  
11 people don't realize how much things have changed  
12 in the last two years, but we've gone from a very  
13 robust venture capital market to a very virtually  
14 nonexistent capital market for new companies, for  
15 new technologies, and for start-ups, and that has  
16 resulted in a lot of different problems, but we're  
17 going to lose a lot of technology for the future if  
18 we don't do a lot of different things to make  
19 technology companies more successful and more  
20 viable.

21           So let me stop at that point and pass it  
22 on down.

1           MR. BURSTEIN:  And can you also pass a  
2 watch over to me so I can time myself carefully to  
3 make sure I don't run over?

4           MR. KATOPIS:  And before we recognize  
5 Dave for his five- to seven-minute statement, I've  
6 been asked to make an announcement, and that is the  
7 Federal Register Notice regarding submission asked  
8 to ensure consideration of submissions for reviews,  
9 the deadline was close of business today; but  
10 because no one at the USPTO wants to be a grinch at  
11 this time of year, we're going to extend that  
12 deadline to close of business tomorrow.  So if  
13 anyone has any more comments they want to send,  
14 we'll probably be able to get them in as long as  
15 they come in by tomorrow, close of business.

16           So with that said, we now recognize our  
17 remaining witness for his statement.

18           MR. BURSTEIN:  I think something  
19 remarkable is about to happen.  We were scheduled  
20 to finish at four.  There's no question and answer  
21 and anything, and we're going to finish ahead of  
22 time, and I'm sure we're all going to be very happy

1 about that, and I'll do my best.

2           One advantage of having a panel that has  
3 a whole lot of people that are not yelling, as we  
4 have some in memory, I was just putting up in the  
5 Internet in a public domain website JFK's  
6 inaugural address. Okay. So I just heard it  
7 again. "Ask not what your country can do for you.  
8 Ask what you can do for your country." These are  
9 words that I think most of us who are religious get  
10 reminded of when we think of the service in our  
11 religion. They're words that most of us who have  
12 morality think of often, and they're words that I'd  
13 like to put to everybody making these decisions.  
14 And I understand that the folks to my right include  
15 some very important and knowledgeable people.

16           Let me first throw out a few facts and  
17 then turn around some of the things that I heard  
18 today. The first fact is that the United States is  
19 very rapidly losing its lead in technology, and on  
20 this I am something of an expert, quoted by  
21 the Times and the Journal and everybody else, and  
22 I've been running around the world. In the fast

1 Internet, we are rapidly being surpassed by Japan,  
2 Korea, and I broke the story, incidentally, of West  
3 China which is getting far more subscribers to DSL  
4 than us. In particular, when I heard somebody say  
5 technology and reporting, I'm thinking, well, it's a  
6 pretty good test of where the most technical people  
7 are by saying who has the most Internet users.

8           In three or four years, that will be  
9 China, not the United States. The primary language  
10 on the Internet will be Chinese in ten years.

11 That's almost inevitable. So the first thing we  
12 should say is that if we want international  
13 harmonization and we want to make things work, we  
14 should translate everything into Chinese, and we  
15 ourselves should rapidly learn Chinese.

16 Some Chinese companies are whipping the pants  
17 off Lucent and Nortel. You know it on the stock  
18 market, and you know it because innovation is being  
19 hit behind.

20           So the second thing, I'm going to go  
21 back to conservative Republicans instead of folks  
22 who happen to have my style. Law and economics looks

1 at efficiency. The most articulate person in that  
2 is Larry Lessig. Some of the smartest, the folks  
3 who put it together at the University of the  
4 Chicago, they're turning around and saying that  
5 they want the United States competitive, and they  
6 look at what helps competition and what doesn't,  
7 what helps technology and innovation and what  
8 doesn't.

9           Nearly all those folks, aside from the  
10 fact they're not in this room, many of them who  
11 agree with these principles will turn around and  
12 say monopoly costs enormously economically. So I  
13 agree that we should teach all this stuff in the  
14 schools. Put it in the high school and put it in  
15 front of the Patent Bar that's sitting to my right  
16 that the basics of economics says that there is an  
17 enormous cost to any monopoly, and we have to think  
18 of who is paying that cost and balance that cost  
19 against the benefits.

20           There was the particular question that asked what  
21 should the programs be. The first program, I would  
22 say, is that any panel like this, besides having

1 people who don't look like me and some of the other  
2 folks on this panel--I know that people creating  
3 biotechnology and engineering are not  
4 overwhelmingly white men. Okay. And in fact,  
5 they're not overwhelmingly in the United States  
6 anymore, which is very frightening if you want this  
7 country to maintain what it is, but they also  
8 represent folks and come from the people who have  
9 an interest in the subject. Something is wrong  
10 with this hearing that I'm not seeing three  
11 professors who aren't paid by the companies  
12 involved. There's some darn good ones with  
13 stronger stuff on this. I'm not the expert. They  
14 are.

15           One fact I want to put out, post-hoc is  
16 not ergo propter hoc, of course, but I heard  
17 somebody talk around about the remarkable progress  
18 we're making with the current patent system in  
19 medicine, and of course, that's utter and total  
20 nonsense. We have wonderful headlines. We have  
21 wonderful tools. We have cracked the genome, but  
22 there are very good academic surveys that



1 significant drug discoveries are considerably fewer  
2 in the last decade than the previous decade. There  
3 is every reason to believe that the breakdown from  
4 most of the research was being done by the  
5 universities when things were shared and people  
6 were not wondering how they could go out and get  
7 rich in a biotech company has a great deal to do  
8 with it. It's not proven.

9           Second, the idea--George has spoken  
10 eloquently, both George Bushes, on how we need  
11 medical care for all. Anything that raises the  
12 cost of medical care should be offensive on its  
13 face because it means people will die. There are  
14 many great ways to support medical research. You  
15 increase the research and development credit and  
16 provide far more income to the drug companies  
17 involved.

18           We are fighting around the world in the name  
19 of big Phrma that in most of the world, if you  
20 have cancer or if you have heart disease, as  
21 opposed to AIDS, you cannot get medicines you can  
22 afford. That is the issue that brought me down

1 here today, not whether the United States or Korea  
2 and Japan leads in technology, much less whether  
3 it's first-to-file, but I'm horrified when I hear  
4 that the American policy should be to do bilateral  
5 and multilateral deals with other rich countries  
6 because we cannot persuade the poor countries that  
7 we are taking a moral position on this stuff.  
8 Frankly, I hope that all that is being blocked, and  
9 I know from Geneva the issue of the United States  
10 being greedy and the drug companies asking  
11 too much is something the world is not putting up  
12 with, and they're right, and the last thing we need  
13 is a split in this world between rich countries and  
14 poor countries.

15           On technology, people I know make  
16 weapons of mass destruction. Some of them live in  
17 Iran. Some of them are Palestinian. Some of them  
18 live in Africa. We have to look at bigger issues  
19 than how much we can manage to skim off the rest of  
20 the earth by using the power of the U.S. Government  
21 to find a way to extract income way over and above  
22 any return on the innovation that's involved.

1           Apologies for talking out of turn.

2           MR. KATOPIS: Well, I want to thank  
3 everyone on behalf of Under Secretary Rogan and  
4 everyone here at the USPTO for participating in this  
5 program. Ultimately, this was intended to be a  
6 listening session, and what you've said today is  
7 going to have an impact, I'm sure, on the Congress  
8 and the Executive Branch and in think tanks and the  
9 associations and groups represented here today.

10           We thank you, and we look forward to  
11 potentially the next roundtable that Congress and  
12 the GAO asks us to put together. So thank you all.  
13 Have a great afternoon.

14           [Whereupon, at 3:45 p.m., the meeting  
15 was adjourned.]

16

17

18

19

20

21

22