

Emerging Patent Trends Pose a Threat to Oregon's Innovation Economy

Oregon is a leader in developing new technology. Its universities and startup companies have been an engine for economic growth over the last decade. However, that growth and prosperity is threatened by recent changes in patent law that may undermine the ability of patents to protect and promote innovation.

The United States Supreme Court issued a decision in April of this year that significantly raised the requirements for patenting an invention. In *KSR v. Teleflex*, the court threw out decades of established law that had protected patent applicants against unreasonable denial of patents. The court instead gave the U.S. Patent Office broad new powers to reject inventions as unpatentable based on a patent examiner's opinion that the invention would be obvious. The patent examiner no longer needs to provide specific evidence that previous research suggested the invention.

A few months earlier the Supreme Court decided in *Medimmune v. Genentech* to make it easier for patent licensees to challenge the validity of patents they had licensed.

These two hostile Supreme Court decisions accelerated an already alarming trend in the U.S. Patent Office toward rejecting patents on important new inventions. In 2000, about 71% of patent applications that were filed eventually became patents. By 2006 the allowance rate had fallen to 54%, and it is likely to fall further. Oregon inventors are already being forced to accept less patent protection for their inventions than they would have received a few years ago.

These problems are compounded by the inability of the U.S. Patent Office to consistently provide adequate qualified staff to review patent applications. Each year, about 20% of U.S. patent examiners are newly hired and inexperienced. It is not surprising that inexperienced examiners sometimes apply the law improperly and are particularly likely to unjustifiably deny patents on important new inventions. This problem is made worse by supervisors at the patent office who criticize examiners for allowing patents — but there is no real penalty for wrongly denying patent protection to important new technologies.

Against this backdrop of increasing indifference to protecting innovation in the United States, Congress is considering legislation that could

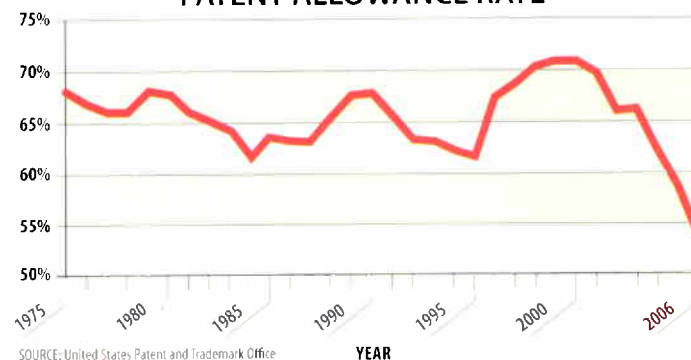
further curtail the usefulness of patents to universities, research institutions and startups. Congress is apparently planning to implement the suggestions of corporate lobbyists to limit patent litigation damages and curtail injunctions against patent infringement. These changes will make it more difficult to license new inventions, or for startup companies to enforce their patents against more established competitors. Universities, as well as the biotechnology and pharmaceutical industries, have opposed the legislation, while the software industry generally supports it.

The protection of intellectual property has always been challenging, but current trends in Congress, the patent office and federal courts



By Dr. William D. Noonan

PATENT ALLOWANCE RATE



make this an increasingly difficult time to profit from innovation in the United States. Weak patent protection for inventions in the 1970s was widely blamed for a slump in U.S. technological advances. A stronger patent system in the 1980s and 1990s helped stimulate an innovation economy in this country. Unless recent damage to the patent system is soon reversed, we may return to the old days of innovation stagnation. In fact many universities and startup companies throughout the country have already failed in their attempts to enforce their patents in court because of the increasingly stringent judicial treatment those patents receive.

In the meantime, Oregon universities and startup companies need to evaluate inventions against this backdrop of changing political and legal realities — at least here in the United States. Legal protection of inventions abroad is still strong, so licensing opportunities in other countries may be increasingly important.

Note: The views expressed herein are solely those of the author, and are not to be imputed to Klarquist Sparkman, LLP or its clients.

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