

SPECIAL REPORT

## LAW

# Reinventing the patent system

*Proposed reform could change  
the way inventions are licensed*

JONATHAN SELDEN / JOURNAL STAFF

**A** consortium of high-volume inventors is fighting to ensure that questionable or unoriginal inventions don't receive patents. Led by IBM Corp., the group is joining forces with the U.S. Patent and Trademark Office to reinvent the way the agency reviews and protects the nation's technological innovations.

And they're backing Rep. Lamar Smith, R-Austin, who's pushing a patent reform bill to retool the nation's intellectual property system.

According to Jeffrey Schubert, patent attorney with Schubert Osterrieder & Nickelson PLLC in Austin, a patent is the fundamental basis of America's IP system.

"We want people who invent something to make it public," he says. "The country rewards people who are willing to teach everybody else what they've learned."

Smith, who chairs the House Subcommittee on Courts, the Internet and Intellectual Property, says his reforms would "make it easier for people to get legitimate patents, but make it more difficult for people to file questionable patent applications."

IBM has a vested interest in the patent process. The company's Austin operations have been granted the most patents of any of IBM's locations.

In fiscal 2005, the Patent and Trademark Office received a record 406,302 patent applications. The department's Performance and Accountability Report states that of



# **PATENTS:** Reform necessary to battle explosion in patent-related litigation

those, 165,485 patents were granted.

Tim Sheehy, IBM vice president of intellectual property policy, says it must be made easier for overworked patent examiners to see all the “prior art” of invention before they stamp “approved” on patent applications.

The concept of protecting patents is deeply engrained in U.S. law.

The U.S. Constitution canonized the principles of intellectual property law in one sentence: “Congress shall have power to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

Congress quickly exercised its constitutional authority to regulate inventions with the Patent Act of 1790. That law created the “Commissioners for the Promotion of Useful Arts,” with Secretary of State Thomas Jefferson as its first administrator.

The first IP system eventually set up a tripod of protections still in use today: patents for inventions, copyrights for the printed word and trademarks for business identities.

With the advent of the Internet and other technological advances, the emergence of intellectual property complicated the system.

One patent case that has spawned debate

involves Amazon.com Inc’s “1-Click” business method patent No. 5,960,411. It describes how customers can save their personal billing information, then log in and click just once to authorize Amazon to complete a purchase.

Amazon didn’t waste any time enforcing its government-granted rights. Less than a month after obtaining the patent, Amazon sued rival Barnes & Noble Inc. over its “Express Lane” checkout procedure, which Amazon argued did essentially the same thing as its 1-Click method.

A federal appeals court ordered Barnes & Noble to shut down its 1-Click feature. To this day, all other Web sites must require users to click twice to make a purchase.

As a result of the lawsuit, Barnes & Noble became a martyr for the cause of patent reform. The suit is one of the primary cases patent critics cite in arguments against the IP status quo.

“Just because you can do something in software, does that make it an invention?” says intellectual property consultant Don Jarrell, president of Austin-based Digital Thinking Inc.

Sheehy says something must be done to thwart the explosion of litigation oftentimes brought by “patent speculators,” who buy patents simply to enforce them.

Smith calls it “legalized extortion.”

“Their only motive is to try to extract a settlement from an innocent party,” Smith says.

Ronald Mann, a University of Texas School of Law professor, doesn’t see the need for Congress to revamp the patent law system in one broad stroke.

Patent reform “proceeds on the assumption that patents are generally bad,” Mann says. “Reforms that would just generally bar enforcement of otherwise valid patents don’t seem like particularly good ideas.”

He does, however, say the current system needs a few fixes: more funding for the overworked patent office and a solution to the patent process’ current litigation-prone posture.

One change that could help the latter is a shift in U.S. patent law’s first-to-invent rule of patent ownership.

Unlike other IP systems that rely on a first-to-file system, in the United States the person granted the patent is determined by who was the first to actually invent the property.

This patent law doctrine can lead to years of expensive litigation that creates what Mann says is “a lot of profit for attorneys, but no profits for businesses.”

“We shouldn’t be paying lawyers millions of dollars years after the fact to figure out who owns the patent,” Mann says.

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