



ASSOCIATION OF UNIVERSITY TECHNOLOGY MANAGERS®

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February 8, 2008

The Honorable Patrick J. Leahy  
United States Senate  
Committee on the Judiciary  
224 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Arlen Specter  
United States Senate  
Committee on the Judiciary  
224 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Leahy and Ranking Member Specter:

I write on behalf of the Association of University Technology Managers (AUTM) which is a nonprofit organization dedicated to promoting, supporting and enhancing the global academic technology transfer profession. AUTM's 3,600 members are the professionals who manage the intellectual property from more than 350 universities, research institutions, teaching hospitals and government agencies as well as hundreds of companies involved in licensing innovations derived from academic and nonprofit research.

The AUTM Board of Trustees has become aware that the Coalition for Patent Fairness (CPF) recently has circulated documents purporting to represent the position of the university community on the Senate patent reform bill, S. 1145, as reported by the Senate Committee on the Judiciary. These documents implied that universities have had their concerns fully addressed by the current version of the bill and could be expected to support it should it be considered by the Senate later this month. We believe that the proper spokespersons for the positions of the university community are universities and affiliated associations, not independent advocacy groups, such as the CPF.

The Association for American Universities (AAU) has outlined areas where university community concerns about the original bill were addressed, as well as areas where further improvements are needed (see attached). AUTM thanks you, the Judiciary Committee and the Committee's professional staff for assistance in improving S. 1145. The bill favorably reported by the Senate Committee on the Judiciary contains important improvements over the bill as introduced, including in the provisions for a switch to a first-inventor-to-file system, removal of prior user rights, and venue reform. While the bill is improved, we believe significant issues need to be addressed before it should

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become law. In the attachment, we outline some concerns with the current version of the bill.

The U.S. patent system is vital to the work of front line technology transfer practitioners at universities and other non-profit research institutions. These organizations serve as engines for innovation, whose basic research is an important source for new U.S. technologies, products, companies and jobs in our respective states and regions.

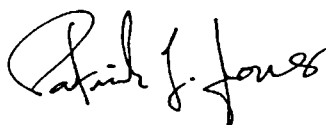
Academic institutions are, however, only one piece of the complex innovation ecosystem and must partner through patent licensing with companies and others who can bring the necessary investment, people and resources to bear that are required to develop the technology into a safe and effective form useful to the general public. A strong and predictable patent system is essential to our members' professional activities and their ability to attract company partners. These partners may be willing to invest effort and significant financial resources into commercializing technologies arising from basic academic research if strong patent protection is available to protect this significant, costly and very high risk effort. This is particularly critical for start up companies. University research has proven to be an important source for forming the technology-oriented companies so important to economic growth and competitiveness. Interestingly, 554 new companies started up during 2006 that could be tied directly to a technology managed by an AUTM member.

Start up companies must raise venture capital funding to compete successfully as a business—often against considerable odds. Start up companies play an important role in developing products promoting the health and welfare of the taxpayers who fund our research. But start up creation and funding are highly dependent on perceptions of risk including perceptions of the strength and fairness of the patent system to businesses of all sizes.

Economic growth in the U.S. depends upon the continued strength and reliability of the U.S. patent system which has recognized and protected the rights of inventors for more than two centuries. From the perspective of technology transfer professionals, the consequences of S. 1145 in its current form create disincentives for companies to develop our technologies and will be harmful to the economy of the U.S. and its innovation efforts. We are hopeful that S. 1145 will be amended to address the concerns expressed by the professionals of the academic technology transfer community prior to floor consideration.

We look forward to working with you to ensure that patent reform legislation will improve patent quality without diminishing patent rights and the strength of the U.S. patent system which is essential to promoting innovation, technology transfer and job creation in regional and national economies.

On Behalf of the Board of Trustees  
Respectfully yours,



Patrick L. Jones, President

Attachment

Cc: Majority Leader Reid  
Minority Leader McConnell  
All Senate Members

Comments on S. 1145, the Patent Reform Act  
By the Association of University Technology Managers (AUTM)

From the perspective of front line technology transfer practitioners, we are concerned that S. 1145 as reported by the Senate Committee on the Judiciary would undermine the rights of patent holders, minimize penalties for infringers, and hamper innovation by diminishing the economic value of a patent. Below are several specific concerns.

- The proposed changes to the well-established principles used to calculate monetary damage awards in cases of infringement mandates one-size-fits all apportionment criteria. We believe that current case law appropriately allows judges to exercise discretion and consider the myriad factors in determining damages based on the case-specific circumstances.
- While we are not opposed to the limited first window after patent issuance, the open-ended second window in post-grant opposition proceedings will make patents susceptible to frivolous patent challenges throughout the life of the patent, raising the uncertainty of patent validity and creating a disincentive for company partners to license our technologies. The second window challenges should be limited to published prior art, be based on an explicit notice of infringement and showing of substantial economic harm, presume validity of all issued patents, and contain stronger estoppel provisions to prevent serial challenges.
- The mandated search report and analysis relevant to patentability (“applicant quality submissions”) shifts the burden of examining patent applications from the examiner to the applicant. This requirement would be costly and burdensome to universities, non-profit research institutions and their small business licensees who have limited resources and should be deleted from S. 1145.
- Current law allows too much leniency for accused infringers to claim patent holders have engaged in misconduct when filing a patent application. The inequitable conduct law should be focused on the claims asserted in litigation, be clarified in unambiguous terms, and contain an administrative procedure in the USPTO to remove the effects of what may be inadvertent omissions or misstatements. Further, the lack of reform to the inequitable conduct defense coupled with the applicant quality submissions requirement could potentially unleash a tidal wave of litigation and thus render patent prosecution prohibitively risky and expensive for academic institutions.
- The venue changes in S. 1145 would alter the current system, favoring defendants in infringement cases. Universities, non-profit patenting and licensing organizations for universities, non-profit research institutions, and our small business licensees should not be forced to file patent infringement suits in the district of the infringer. While institutions of higher education and non-profit patenting and licensing organizations for universities are excepted in the current version of the bill, we feel that non-profit research institutions and our licensees who have a significant stake in the product line should be excepted as well. On behalf of our licensees, which tend to be small start-ups, we believe lawsuits should be allowed in any venue wherever significant research, development or manufacturing is occurring.

(2/7/08)