OREGON HEALTH & SCIENCE UNIVERSITY

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June 14, 2011

The Honorable Earl Blumenauer
U.S. House of Representatives
1502 Longworth House Office Building
Washington, DC 20515

The Honorable Peter DeFazio
U.S. House of Representatives
2134 Rayburn House Office Building
Washington, DC 20515

The Honorable Kurt Schrader
U.S. House of Representatives
314 Cannon House Office Building
Washington, DC 20515

The Honorable Greg Walden
U.S. House of Representatives
2182 Rayburn House Office Building
Washington, DC 20515

The Honorable David Wu
2338 Rayburn House Office Building
Washington DC, 20515

RE: HR 1249, "America Invents Act"

Dear Member of the Oregon Congressional Delegation:

On behalf of Oregon Health & Science University, we write to express our opposition to HR 1249, "America Invents Act," which may be considered on the House floor for a vote this week.

We appreciate and applaud Congressional efforts to streamline, strengthen and simplify the patent process. However, we believe the bill does so at the cost of research and technology licensed by universities and their affiliates.

Our primary objections to HR 1249 are due to the provisions which expand the "prior user rights" defense from its present narrow scope to broadly apply to all patents except those created *solely* by federal funding or by universities and their affiliates. OHSU opposes such provisions because they elevate trade secrets over disclosure and create an unworkable "carve-out" for universities that would be hard to monitor and enforce.

Elevation of Trade Secret Over Disclosure

As you know, the patent system is premised on a quid pro quo of granting monopoly rights to an invention in return for disclosure to the public of information about that invention. In fact, the Constitutional purpose for our patent system is to disseminate information and knowledge for the betterment of society. Under current law, a patent owner holding a patent covering a trade secret that is not a business method (this is a very narrow defense under the current law) can enforce the issued patent against all potential infringers of such an issued patent. However, under the proposed changes, trade secrets are elevated to essentially a royalty-free non-exclusive paid up license to the patent for the life of the patent. Not only does this encourage the greater use of trade secrets but, at time when a strong patent system is critical to the revitalization of our economy, it undermines the translation of science and research in to products and the investment required to develop those products.

When trade secrets preempt patent rights, it severely weakens the Constitutional quid pro quo and is a detriment to the incentive created to disclose innovations. In addition, enhanced incentive to withhold information about new technologies would subvert the purposes of the patent system and spur costly litigation in cases where an infringer invokes a prior user rights defense. In addition, the expansion of trade secret immunity through expansion of prior user rights would impair university transfer of discoveries to the commercial sector for development, diminish the ability of start-ups to raise venture capital, and stifle academic publishing.
The current Manager’s Amendment does not address these issues and in some instances actually exacerbates them, for example expanding the definition of a “prior user” so that persons beyond the prior user can use this defense, thereby further eroding the patent system.

Unworkable Carve-Out

While we appreciate the intent of the university "carve out," in reality it is unworkable. Patented technology from universities is increasingly blended with other patented technology from companies in the creation of a product. University intellectual property is commercially meaningless until married to private sector investment. The resulting confusion from efforts to separate one from another would render such "exempt" technology difficult if not impossible to distinguish and create more litigation and delay rather than less.

Taken together, the effect of the expansion of user rights provisions will: (i) create more uncertainty about the exclusivity of patent rights we license to others, (ii) frustrate investor due diligence causing patents in which we have invested to languish without private support, (iii) strand public investments already conferred in early stage innovation by deterring expected follow-on private investment to fund jobs, and (vi) further tilt the Intellectual Property playing field towards market incumbents by denying to our institutions the prior user protection provided by the Act to others.

Unfortunately, the cumulative impact of these effects would weaken the nation’s innovative capacity at precisely the time when the nation needs a robust innovative capacity to create jobs and fuel economic recovery.

As you may know, S. 23, Senate companion bill to HR 1249 does not include the House bill's expansion of prior user rights provision. We respectfully request that you work to amend HR 1249 so that it does not include the expansion of prior user rights and ask you to oppose the bill, should it contain such provisions.

Thank you for your consideration.

Sincerely,

Daniel M. Dorsa

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Associate Vice President, Technology Transfer and Business Development