



US - ISRAEL
SCIENCE & TECHNOLOGY FOUNDATION



Arnold Brenner
Director

May 4, 2011

An open letter to the U.S. House of Representatives:
Washington, DC

Dear Representative:

I am writing today concerning proposed changes in U.S. patent law and what may turn out to be the unintended consequences.

H.R. 1249, "The America Invents Act" belies its name. For the sake of a questionable concept called "harmonization", the U.S. is preparing to dramatically weaken the strongest patent laws in the world to the lowest common denominator. As currently written and amended, there are several provisions which will not only choke off American innovation, but there are several international implications as well.

The importance of the U.S. patent system to Israel's economy is one of those.

Each nation protects patents in its own way within their borders, but the reach and power of Israel's domestic patent laws are limited because of the nation's tiny size. The main protection for most Israeli companies and inventors is a U.S. patent, which confers legal rights within the world's strongest patent system as well as the means to defend those rights in U.S. Federal Courts.

As the Israeli economy has become more technologically advanced, the number of patent applications filed at the USPTO has surged. In 1990, Israeli residents filed 660 U.S. patent applications. In 2010, they filed 4,700 applications – almost an 800 percent increase.

Not surprisingly, Israeli's advanced technology industries that rely on strong U.S. patent protections are major global players. Specifically,

- Israel ranks fourth in the world in bio-pharmaceutical patents per capita – trailing only the U.S., Switzerland, and Denmark.
- Israel has 466 life science companies. More than 80 percent of these firms were founded since 2000; 50 percent of them are still in their preliminary research or clinical trial stage, a phase during which patents are vital for securing financing.

- Israel has 67 companies actively involved in cardiovascular research and development.
- Israel leads the world in patents for medical devices on a per capita basis.
- Israel has 60 pharmaceutical companies, which employ 25,000 workers in Israel.
- Israel and the United States did more than \$32 billion in trade in 2010. Of that, almost \$5 billion was in Advanced Technology Trade. Of this, Israel had a \$120 million surplus in opto-electronic goods, a \$430 million surplus in information and communications goods, and a \$340 million surplus in life science products.

All of these innovative Israeli ventures would be vulnerable to massive patent pirating, infringement and licensing extortion without their U.S. patents.

The changes in U.S. patent law embodied in the proposed U.S. patent legislation America Invents (S.23 and H.R. 1249) threaten to drastically weaken these protections in many ways. The proposed new law would:

- Shift the U.S. from granting a patent from the “First-To-Invent” to the “First-To-File”. Israel’s primary technology comes to the U.S. from small start-up companies. Most often their key to funding is their intellectual property. Current law allows a one year grace period where a start-up can talk to venture capitalists, and potential customers to determine market opportunity and potential value before filing a patent. H.R. 1249 removes this grace period and promotes a rush to the patent office by large, well-resourced companies. First-to-file puts start-ups at a significant financial disadvantage because of the time and costs involved, especially for Israeli companies who do not have a network of U.S. partners.
- Expand the time to secure a patent. The U.S. patent processing pendency is now 35 months. When Canada shifted from first-to-invent to first-to-file, the volume of applications expanded by 30 percent as inventors raced to beat the clock. This will further expand the average processing time, thereby reducing a patent’s life term.
- Increase the risk of litigation by instituting a new European-style, post-grant administrative process for challenging issued patents. Expert U.S. patent litigators estimate that as the system shifts to a European-style post-grant model, patent lawsuits would triple, and gaming of the system (as now happens in Europe) would become common. For Israeli small companies, increased patent challenges would be devastating.
- Allow third parties, including competitors from other nations, to participate in the patent examination process.
- Create new Prior-User Rights that allow those using a technology before a patent filing and grant to continue using it royalty free. All other nations grant such prior user rights to those practicing the technology within their borders. This law would grant prior user rights to anyone in the world. This has a two-fold negative effect: 1) It would put validation and

verification of a prior user claim out of reach of a patent holder; for example, how could a small company hope to challenge a Chinese company who claims to have prior user rights, and 2) it opens the door to greatly reduced protection for the patent owner

The U.S. Congress, in its 7-year effort to restructure U.S. patent law has not held a single hearing on the foreign consequences of this proposed legislation. Not a single Individual inventor, small business, venture investor or Constitutional law expert was called as a witness in the Senate Judiciary hearings on this legislation. The House adopted the Senate (S.23) bill as the basis for H.R.1249.

Whatever competitiveness strategy Israel pursues for the future, strong U.S. patents will remain a vital protection for its inventors and companies.

Dozens of other nations, particularly smaller countries, will also be affected if these proposed changes become law. Congress needs to thoroughly examine the consequences to America's many foreign allies of the massive structural changes proposed in the America Invents Act.

Sincerely,



Arnold Brenner
Director