THE PATENT REFORM ACT OF 2007 & UNIVERSITY TECHNOLOGY TRANSFER

I. Introduction to University Technology Transfer and Patent Reform

Scientific research in American universities has played an ever increasing role[1] in the evolution of technology, and has spawned important products such as Google, turf grass, lice shampoo, and rheumatoid arthritis relief.[2] The initial fruits of university research are usually not commercially useful, and often require further research and development before they can be publicly distributed; for this reason, technology transfer is an essential part of university research. Technology transfer is the process by which important scientific discoveries made in universities are transferred to the commercial sector, where they will be transformed into commercial products and ultimately become available to the public. The U.S. patent system plays a vital role in technology transfer, since many research sponsors invest in university research programs with the hopes of one day obtaining valuable patent rights.

In the 1980's, Congress recognized the immense contribution university research had thus far made to society, and passed the Bayh-Dole Act, which further promoted university technology transfer, and essentially created a new environment for innovation. The Bayh-Dole Act allows universities to retain patent ownership of inventions made under federal funding. Because so many university inventions result from federally funded research programs,

[1] In FY 2006, American universities received over 45 billion dollars in research funding, filed 15,908 U.S. patent applications, signed 4,963 new licenses, introduced 697 new products into the market, and launched 553 new startup companies. *See* AUTM U.S. Licensing Survey, FY 2006, *available at* http://www.autm.net/events/file/AUTM_06_US%20LSS_FNL.pdf.

[2] *See* AUTM Licensing Surveys, *available at* http://www.autm.net/about/dsp.licensing_surveys.cfm (follow any one of the hyperlinks to a licensing survey corresponding to a specific fiscal year), for a listing of more university innovations.

universities are now able to license these inventions to third parties.[3] Currently, Congress is once again considering legislation that would affect university technology transfer, but in a way that would harm university technology transfer and counter the benefits that have resulted from the Bayh-Dole Act.

The "Patent Reform Act of 2007" is currently before Congress, and given the important role the current patent system plays in university technology transfer, it is no surprise that many universities, and the organizations that represent them,[4] are anxiously curious as to how the proposed legislative changes contained in H.R. 1908[5] and S. 1145[6] will affect university technology transfer.

The proposed patent reform bills are composed of several provisions that look to change the patent system. The major changes affecting university technology transfer are:

(1) a switch from a 'first to invent' to a 'first inventor to file' system;
(2) an expansion of prior user rights;
(3) new post-grant opposition procedures; and
(4) a change to the current law on how damages are calculated in patent infringement cases.

In order to fully appreciate how the changes contained in the proposed legislation will affect university technology transfer, it is first necessary to understand how technology transfer successfully operates under current U.S. law.

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[3] *See* 35 U.S.C. §§ 201-212 (2006).

[4] Such Organizations include the Association of University Technology Managers (AUTM), the Association of American Universities (AAU), the National Association of State Universities and Land-Grant Colleges (NASULGC), and the Association of American Medical Colleges (AAMC).

[5] *See* Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007), 2007 CONG US HR 1908 (Westlaw), *available at* http://www.govtrack.us/congress/billtext.xpd?bill=h110-1908, for a full copy of H.R. 1908.

[6] *See* Patent Reform Act of 2007, S. 1145, 110th Cong. (2007), 2007 CONG US S 1145 (Westlaw), *available at* http://www.govtrack.us/congress/billtext.xpd?bill=s110-1145, for a full copy of S. 1145.

II. Current U.S. Patent Law in Relation to University Technology Transfer, and the Proposed Legislation's Effects on University Technology Transfer

A. From 'First-to-Invent' to 'First-Inventor-to-File'

When a university researcher makes a discovery, whether or not patentable, he or she often desires to have the results of the discovery first published in an academic journal and then analyzed for patentability.[7] Under current U.S. patent law, the university has one year from the date of publication to file a patent application.[8] Because many universities and their technology transfer offices operate under strict budget limitations, a university must determine whether a research discovery has any potential commercial applicability before it decides to file a patent application.[9] Whether a discovery has commercial potential is often not obvious at the time the discovery is made, and depends on variety of factors, such as market and licensee receptivity.[10] In addition to determining the commercial viability of a scientific discovery, most universities have the primary mission of generating knowledge, and then making that knowledge available to society, which often occurs through academic publication.[11]

Under current U.S. patent law, the original inventor of a patentable discovery is awarded the patent.[12] This is commonly referred to as the 'first-to-invent' rule, a legal attribute that sets

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[7] Lauren C. Bruzzone, *Intellectual Property in a Joint Development Agreement – Fair Division and Other Issues*, 900 P.L.I./PAT 35, 49 (2007).

[8] 35 U.S.C. § 102(b) (2006).

[9] AAU, ACE, NASULGC, AAMC, and COGR, *Comments on H.R. 1908 and S. 1145, The Patent Reform Act of 2007* (May 16, 2007), http://www.aau.edu/intellect/STMT_ASSN_HR1908_51607.pdf.

[10] *Id.*; *Perspectives on Patents: Harmonization and other Matters: Hearing Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary*, (2005) (testimony of Charles E. Phelps, Provost, University of Rochester), 2005 WL 1767162, *available at* http://judiciary.senate.gov/testimony.cfm?id=1582&wit_id=4551.

[11] *See, e.g., M.I.T. Mission and Origin*, *available at* http://web.mit.edu/facts/mission.html; *Georgia Tech Vision and Mission Statements, available at* http://www.catalog.gatech.edu/general/mission.php.

[12] *See* 35 U.S.C. § 101 (2006) (providing that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent

the United States apart from the rest of the world. Even when a university inventor decides to publish the results of a discovery before filing a patent application, the inventor's right to file a patent application on the discovery is protected by the 'first-to-invent' rule, and thus allows the university to further develop its idea and decide whether or not to file for a patent.[13]

In addition to allotting time for the determination of patentability, the 'first-to-invent' rule helps advance the philanthropic mission of academic institutions. This is because academic publication is a major avenue universities use to contribute the fruits of their research to society, and many universities rely on the 'first-to-invent' rule to allow them to disseminate research information to the public without worrying about non-inventors obtaining patent rights on the same discoveries. In other words, scientific discoveries that are published by universities remain protected from third parties because, under the 'first-to-invent' rule, a subsequent inventor would not be able to obtain a patent on the disclosed discovery (since he or she was not the first person who made the discovery).[14] In light of the 'first-to-invent' rule's success with regard to university technology transfer, one must ask why Congress would want to change a law that has helped make American universities some of the leading innovators in world.[15]

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therefor, subject to the conditions and requirements of this title"); 35 U.S.C. § 102(g)(2) (2006) (providing that a patent cannot be validly granted if "before the applicant's invention thereof the invention was made in this country by another who has not abandoned, suppressed or concealed it").

[13] *Id.*

[14] 35 U.S.C. § 102(f) (2006) (providing that "[a] person shall be entitled to a patent unless . . . he did not himself invent the subject matter sought to be patented").

[15] *Graduate Employment in SMEs: a Critical Perspective*, Industry & Higher Education, Vol. 19, No. 1, Feb. 2005, page 6.

The 'first-to-invent' rule is unique to the U.S.[16] The majority of countries employ what is known as the 'first-to-file' system, where the first person to file a patent application on an invention is awarded the patent, regardless of whether he or she was the first inventor.[17]

In an attempt to harmonize U.S. patent law with the rest of the world, Congress has introduced §3 of the Patent Reform Act of 2007.[18] The relevant provision of the proposed legislation amends 35 U.S.C. § 102 to read:

> "[a] patent for a claimed invention may not be obtained if . . . the claimed invention was described . . . in an application for patent published or deemed publish . . . in which . . . the application . . . names another inventor *and was effectively filed before the filing date of the claimed invention*."[19] (Emphasis added).

Upon reading the proposed legislation, it becomes apparent that, if passed, the legislation would do away with the 'first-to-invent' rule, and change U.S. patent law to include a 'first-inventor-to-file' provision. Because university technology transfer protocol was developed in a 'first-to-invent' system, many universities are worried that switching to a 'first-inventor-to-file' system would make technology transfer more difficult, and harm the university research establishment as a whole.[20]

Under a 'first-inventor-to-file' system, the quick filing of a patent application is essential in ensuring one's patent rights. Because universities would have to move quickly to file a patent

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[16] Vito J. DeBari, *International Harmonization of Patent Law: A Proposed Solution to the United States' First-To-File Debate*, 16 Fordham Int'l L.J. 687 (1993).

[17] *Id.*

[18] *See* H.R. 1908 § 3(b)(1)*, supra* note 4; S. 1145 § 3(b)(1), *supra* note 5.

[19] *Id.*

[20] *Patent Revision: Hearing on H.R. 1908 Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, (2007) (testimony of William T. Tucker, Executive Director, Research Administration and Technology Transfer, University of California), 2007 WL 1230215, *available at* http://judiciary.house.gov/media/pdfs/Tucker070426.pdf.

application, they would not be able to perform the proper due diligence as to commercial viability and patentability of an invention, a luxury that is currently afforded under the 'first-to-invent' system.[21] Moving to a 'first-inventor-to-file' system would therefore remove the benefits afforded by a 'first-to-invent' system, and would more than likely foster a 'race to the patent office' mentality among university researchers and technology transfer offices.[22] Given the large number of invention disclosures universities receive[23] from their researchers and the fact that the cost of obtaining a patent can easily exceed $25,000.00,[24] the effects of the 'race to the patent office' mentality would impose a huge economic encumbrance on universities that are already overburdened with research-related expenses. While university research and technology transfer could suffer from the 'first-inventor-to-file' rule, for-profit research institutions could benefit from the rule at the universities' expense.

The 'first-inventor-to-file' rule would incentivize third parties to take a university's intellectual property. Because universities often publish research results to help fulfill their mission of disseminating knowledge to the public, the 'first-inventor-to-file' rule could encourage a third party to review academic research publications, further develop their own technologies based on a university's ideas disclosed in the publication, and then file a patent application on the same subject matter.[25] The third party would be entitled to the patent as the 'first-inventor-to-file,' thereby taking the university's ideas. Such an effect would surely drive

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[21] *Id.*

[22] *Id.*

[23] American universities managed 18,874 new invention disclosures in FY 2006 alone. *See* AUTM U.S. Licensing Survey, FY 2006, *supra* note 1.

[24] *See* Eugene R. Quinn, Jr., *The Cost of Obtaining a Patent*, http://www.ipwatchdog.com/patent_cost.html.

[25] *See Hearing, supra* note 20, (testimony of William T. Tucker).

universities to develop technologies in secret, an activity which runs counter to their mission of maintaining an open academic environment.[26]

Opponents of the proposed legislation have suggested a number of remedies addressing the problems created by a 'first-inventor-to-file' system, such as requiring an inventor's oath or declaration when filing a patent application, and preserving a university's ability to file a provisional application.[27] The inclusion of a grace period has also been suggested, so long as the grace period provision does not treat a publication made by an inventor or any other subsequent publication as disqualifying prior art.[28] Although these suggestions would not fully mitigate the negative effects of a 'first-inventor-to-file' system, they would certainly allow universities to perform technology transfer under familiar circumstances, and permit the U.S. to further harmonize its patent system with the rest of the world.

B. An Expansion of Prior User Rights

Current U.S. patent law has a component known as 'prior user rights,' under which a patent owner may not enforce a patent against another person if that person had commercially used the subject matter of the patent in the U.S. more than one year prior to the date on which the application for such a patent was filed.[29] The prior user defense for infringement weakens patent

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[26] *Id.*

[27] *See Comments on H.R. 1908 and S. 1145, The Patent Reform Act of 2007*, *supra* note 9.

[28] *Id.*

[29] The subject matter of the invention must pertain to a "business method." *See* 35 U.S.C. § 273(b)(1) (2006) (providing that "[i]t shall be a defense to an action for infringement . . . with respect to any subject matter that would otherwise infringe one or more claims for a method in the patent being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice at least 1 year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such matter"); *see also* 35 U.S.C. § 102(b) (2006) (providing that "[a] person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States. . . ").

protection and creates uncertainty in the ownership of patent rights, thereby decreasing the value of patents.[30]

Like other innovating entities, universities rely on strong patent rights to protect the fruits of their research, and to assure research sponsors that valuable intellectual property rights might result from their contribution. Because most universities do not keep scientific discoveries secret, the intellectual property rights transferred to the commercial sector are usually in the form of patents, not trade secrets; keeping trade secrets would go against a university's mission of disseminating knowledge to the public.

For-profit innovating entities, on the other hand, enjoy keeping scientific discoveries secret, because trade secrets potentially have longer lives,[31] and offer competitive advantages over public disclosure. In an effort to account for companies that have retained inventions as trade secrets, Congress has introduced S. 1145 § 5(b), which expands the current prior user rights defense to encompass not only commercial use of a disputed method, but also situations where a party has made "substantial preparations for commercial use" of a disputed invention (not just business methods).[32] The proposed legislation also does away with the one year requirement currently present in § 273(b)(1) of the Patent Act.[33] By rewarding companies that choose to keep trade secrets, Congress has harmed the value of patent rights, and because university intellectual property rights in technology transfer are usually patents, the expansion of prior user rights has also harmed university technology transfer.

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[30] *See Hearing*, *supra* note 10, (testimony of Charles E. Phelps).

[31] A trade secret may theoretically last forever, as opposed to most patents, which are only good for a maximum of 20 years and run the risk of being invalidated. *See* 35 U.S.C. § 154(a)(2) (2006).

[32] *See* S. 1145, *supra* note 6, § 5(b) at 26, (amending 35 U.S.C. § 273 by striking "method" and the 1 year requirement from § 273(b)(1), and adding "substantial preparations for commercial use" to the subsection).

[33] *Id.*

When coupled with a 'first-inventor-to-file' system, the expansion of prior user rights creates even more incentive for third parties to monitor university research publications and take university ideas. Under the proposed prior user rights, it would be easier for a third party to take a university's ideas because the third party would avoid infringement liability by making 'substantial preparations for commercial use' of a product based on the university's published ideas. The fact that third parties can develop trade secrets based on published university research, and then be immune to a university's patent rights, further discourages early publication of university research discoveries.[34]

The expansion of prior user rights undermines American university technology transfer because it rewards trade secret protection, devalues patent rights, and, when coupled with a 'first-inventor-to-file' system, discourages university research publication.

C. Reform of Post-Grant Opposition Procedures

Under current U.S. law, there are several ways to challenge the patentability of an issued patent without having to enter litigation. Known as 'post-grant-reviews,' they allow a party to oppose a patent's patentability before the United States Patent and Trademark Office, as opposed to a court. A post-grant-review may take place:

(1) "when an applicant files an application to reissue a patent and requests correction of at least one error in the patent;
(2) when an interference is declared between the patent and a pending application, and the applicant in the interference seeks judgment based on unpatentability of patent claims; [35]

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[34] Letter from John Vaughn, Exec. V.P., A.A.U., to Tammy Baldwin, U.S. Congresswoman (June 13, 2007), *available at* http://www.aau.edu/intellect/Ltr_Baldwin_prior_user_rights_patent%20reform_HR1908.pdf.

[35] *See* U.S.P.T.O. website, *Post-Grant Review of Patent Claims*, http://www1.uspto.gov/go/com/strat21/action/sr2.htm (providing that "apart from an interference . . . a third party's ability to challenge the patentability of patent claims in the Office is limited to grounds based on prior art patents or printed publications. In addition, a third party outside the interference context cannot conduct discovery and develop

(3) when a patent owner or a third-party requests reexamination of the patent; and

(4) when the Director of the USPTO initiates reexamination of a patent on his own initiative."[36]

Although post-grant opposition procedures open the door for uncertainty in patent ownership rights, it provides a reasonable, low-cost alternative to patent litigation, and removes burden off of the court system.[37]

To further alleviate the court system, Congress has proposed a new set of procedures that would allow a party to challenge a patent's patentability at any time during the life of the patent.[38] The proposed legislation sets forth three opportunities for post-grant opposition:

(1) within 12 months of a patent's issuance;

(2) upon a showing of *substantial economic harm* caused by the patent, which can be brought at any time; and

(3) upon the receipt of notice of a possible claim of patent infringement under the patent.

The proposed legislation also eliminates a presumption of patent validity in post-grant oppositions (which is present in current post-grant reivew procedures), and requires that a petitioner meet a burden of proving that a patent is invalid by "a preponderance of the evidence" (a lower standard than the 'clear and convincing' standard in litigation).[39]

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evidence necessary to challenge patentability. These limitations on third parties prevent the public from effectively challenging patents, unless and until a lawsuit is threatened, at which point the threatened party can proceed with an expensive and often lengthy civil suit.")

[36] *Id.*; *see* 35 U.S.C. §§ 301-318 (2006), for rules governing post-grant review procedures.

[37] *See Comments on H.R. 1908 and S. 1145, The Patent Reform Act of 2007*, *supra* note 9.

[38] *Id.*; *See* H.R. 1908 § 6, *supra* note 5; *see also* S. 1145 § 5, *supra* note 6.

[39] *See* H.R. 1908 § 5, *supra note 4*; *see also* S. 1145 § 5; *supra* note 6.

The post-grant opposition procedures included in the proposed legislation act to further weaken an owner's patent rights, because a patent would be exposed to patentability challenges throughout its life. Also, if a university patent owner were to file a claim of infringement, the accused infringer would be able to challenge the patentability of the patent with a lower standard than that of litigation, and would not have to overcome a presumption of validity. Futhermore, the proposed post-grant opposition procedures would expand the issues brought up in post-grant reviews to include substantial economic harm, as opposed to just questions of patentability. The PTO has traditionally resolved issues of patentability, so one can imagine the PTO being less than capable of resolving issues involving economic harm.

Considering the negative effects already brought on by the prior user rights expansion and the 'first-inventor-to-file' system, the proposed post-grant opposition procedures would expose university patents to even more vulnerability, devalue patents to an even greater extent, and effectively harm university technology to a further degree.

D. Reform on Damages for Patent Infringement

As previously mentioned, university technology transfer heavily relies on strong patent protection, and part of that protection is the assurance that a university patent owner or licensee will received adequate compensation for an infringement on their patent rights.

The current law for calculating damages in patent infringement lawsuits is the result of a judicial evolution on how to interpret §284 of the Patent Act, which states:

> "[T]he court shall award the claimant damages adequate to compensate for the infringement… but in no event less than a reasonable royalty for the use made of the invention by the infringer…"[40]

[40] 35 U.S.C. § 284 (2006).

Because the statute calls out for minimum damages to be equal to a reasonable royalty, courts, in most cases, have specifically concentrated on defining the terms "reasonable royalty," and have developed case law that spells out specific factors to be considered in calculating such a royalty. The reasonable royalty is usually calculated on a base of sales of the infringing product or process, and courts have developed two ways to calculate this royalty base.[41]

The first method used to calculate damages based on a reasonable royalty is known as "apportionment."[42] Under this approach, courts consider a number of factors in determining a reasonable royalty, such as the royalties a patentee is currently receiving under licenses of the patent at issue, the duration of the patent, the nature of the patented invention, royalties being paid for similar technologies, and the amount the patentee and infringer would have agreed to in a hypothetical license.[43] One factor in particular suggests that, when calculating damages, a court may consider that "the portion of the realizable profit should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer."[44] In order for this factor to be applied, however, the infringer must show that the value of the infringing product or process can be attributed mostly to the actions of the infringer, rather than the patentee.[45]

The second approach courts take to calculating a reasonable royalty is known as the "entire market value rule", which allows a reasonable royalty to be based on the value of the

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41 *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970), *modified and aff'd*, 446 F.2d 295 (2nd Cir. 1971), cert. denied, 404 U.S. 870 (1971).

42 *Id.*

43 *Id.* at 1120.

44 *Id.*

45 *See Elizabeth v. Pavement Co*., 97 U.S. 126, 141 (1877).

entire infringing product or process.[46] In order for the entire market value rule to take effect, the patentee must show that the patented feature is the basis for customer demand for the entire infringing product or process.[47] Application of the entire market value rule usually results in higher damage awards, as was the case in Alcatel v. Gateway, where Microsoft was found to have infringed Alcatel's software patents relating to data encoding, initially resulting in a jury verdict requiring Microsoft to pay Alcatel over 1.5 billion dollars in damages.[48] The entire market value rule harms technology companies[49] the most, since their products often contain a multitude of patented and unpatented components, and if even one of the components is infringing on another's patent rights, such as the data encoding software in Alcatel, the infringing company may be liable for the value of the entire infringing product, and not just the independent value of the infringing component.

In recent years, 'patent trolls' have been using the threat of high damage awards to force huge settlements from companies in patent infringement claims.[50] Although there is no standard definition of a 'patent troll,' one common definition is that patent trolls are entities that amass a large portfolio of intellectual property, usually do not use or license the intellectual property, and then sue other parties, sometimes with little or no merit, for infringement in hopes of obtaining either a large settlement or high damage award.[51] Many tech companies such as Intel and

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[46] *See Rite-Hite Corp. v. Kelley Co., Inc*, 56 F.3d 1538, 1549 (Fed. Cir.) (*en banc*), cert. denied, 116 S. Ct. 184 (1995).

[47] *Id.*

[48] The jury verdict was eventually vacated. *See Lucent Technologies v. Gateway* (S.D. Cal. February 21, 2007).

[49] Otherwise known as 'tech' companies, such as Microsoft, Intel, Dell, and Apple.

[50] *See* Lemley, Mark A., *Are Universities Patent Trolls?* (April 11, 2007). Stanford Public Law Working Paper No. 980776, *available at* SSRN: http://ssrn.com/abstract=980776.

[51] *Id.*

Microsoft, which are often targets of patent troll suits, have been pushing Congress to change the law of damages in patent infringement cases so that the entire market value rule is rarely implemented, thereby helping eliminate the threat of high damage awards imposed by patent trolls.[52]

The proposed legislation codifies the law of damages in a manner that would significantly decrease the amount of money a patent owner could recover for infringement of their patent, thereby effectively diminishing the value of patents. The relevant provision of the proposed legislation limits the apportionment analysis to a single narrow factor; it reads:

> "[T]he court shall conduct an analysis to ensure that a reasonable royalty under subsection (a) is applied *only to that economic value properly attributable to the patent's specific contribution over the prior art.* The court shall *exclude from the analysis the economic value properly attributable to the prior art*, and *other features or improvements*, whether or not themselves patented, that contribute economic value to the infringing product or process." (Emphasis added). [53]

The new apportionment analysis harms a patent owner's ability to recover damages, because the patent owner would only be entitled to the value of the patent's "contribution over the prior art," and nothing else.

Proponents of the proposed legislation have criticized university technology transfer, and have gone as far as to label universities as patent trolls.[54] In support of their argument, critics point to the facts that both universities and patent trolls amass a large portfolio of patent rights,

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[52] *See Patent Quality and Improvement: Hearing on H.R. 1908 Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, (2005) (testimony of Richard J. Lutton Jr., Chief Patent Counsel, Apple, on behalf of the Business Software Alliance (BSA)), 2005 WL 928943, *available at* http://judiciary.house.gov/OversightTestimony.aspx?ID=344.

[53] *See* H.R. 1908 § 5(b), *supra* note 5; *see also* S. 1145 § 5(a), *supra* note 6.

[54] *See* Lemley, *Are Universities Patent Trolls?*, *supra* note 50.

neither one of them use the inventions covered by their patents, and both sue corporate entities in hopes of receiving high damages.[55] Although universities and patent trolls share similarities, there are also key differences. As opposed to patent trolls, universities seek to disseminate their patented inventions by licensing to third parties, and unlike patent trolls, universities actually develop their own patented technologies.[56] As opposed to further cracking down on 'patent trolls,' the proposed legislation devalues patent rights, and harms university technology transfer.

By decreasing monetary damages, the proposed legislation harms technology transfer, because damages for infringement of university patents deter infringers from reaping the benefits of costly university research and development. Also, the 2006 U.S. Supreme Court case *eBay v. MercExchange*[57] hindered a patent owner's ability to obtain injunctive relief, thereby leaving monetary damages as the main deterrent to infringement. By undermining a university's ability to obtain injunctive relief *and* adequate monetary damages, the proposed legislation will leave university patent owners with little or no ability to deter infringement of their patent rights.

Given the lack of other deterrents to infringement, and the avenues opened up to infringers by a first-inventor-to-file system, and expanded prior user rights and post-grant oppositions, the preservation of adequate monetary compensation is vital to the survival of university technology transfer as we know it today. Without such deterrence, licensees and research sponsors will be discouraged from licensing university patents and investing in university research, because the fruits of their investment will not be protected.

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[55] *Id.*; *see also Eolas Tech v. Microsoft*, 457 F.3d 1279 (Fed. Cir. 2006), (awarding the University of California a share in a jury award of $535 million against Microsoft; a decision that was ultimately vacated).

[56] *Id.*

[57] 126 S. Ct. 1837 (2006).

III. Conclusion: Patent Reform Devalues Patent Rights, Harms the Patent System, and Erodes University Technology Transfer.

If passed, the Patent Reform Act of 2007 would devalue patents and create vulnerability in patent ownership rights, which, in turn, would not only discourage potential research sponsors from investing in university programs, but would also discourage potential licensees from licensing university patents.

More than anything, however, the proposed legislation would create uncertainty in patent rights. Perhaps Carl Gulbrandsen of the Wisconsin Alumni Research Foundation said it best:

> "Uncertainty about the rights secured through an issued patent will make licensing technology to the private sector for commercial development significantly more difficult for universities, thereby delaying the transfer of technology from the lab to application and thwarting one of the primary purposes of the Bayh-Dole Act."[58]

[58] *Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary*, (2005) (testimony of Carle E. Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation), 2005 WL 1396284, *available at* http://judiciary.senate.gov/testimony.cfm?id=1535&wit_id=4350.