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Via Email: [John\\_Kerry@senate.gov](mailto:John_Kerry@senate.gov); [Paul\\_Kirk@senate.gov](mailto:Paul_Kirk@senate.gov); [Scott\\_Brown@senate.gov](mailto:Scott_Brown@senate.gov);  
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Dear Senators Kerry and Kirk, and Senator-elect Brown:

I write as an attorney that has lawyered dozens of deals between investors and startup companies, deals that moved several billion dollars of startup capital into new companies. I am deeply concerned with three provisions of S.515, the Patent Reform Act, and its effect on the Massachusetts economy. Based on ten years as an engineer for Massachusetts startups, and nearly twenty years of law practice, with about \$15 billion worth of deal and litigation experience, representing large and small companies from many industry segments, investors, and litigants, I am as sure as I can be that S.515 is bad for the United States economy, and especially harmful to Massachusetts.

Massachusetts' economy is strongly dependent on new companies that spin out of our universities and other research labs. Three features of S.515 will restrict the flow of venture capital into new businesses, impair job creation at the companies that are creating the most new high-paying jobs, and all but stop the flow of ideas from lab to useful products. The three features of S.515 that concern me most, and that should be removed from the bill before it is brought to the Senate floor, are:

- weakening the one-year grace period (under the misnomer "first to file")
- open-ended postgrant review, and
- any reduction in damages below a royalty that would be fairly negotiated between a willing licensor and willing licensee for a valid patent

Inventors outside big companies (independent inventors, universities, startups, etc.) and inventors in the life sciences are crucially dependent on the strong patents provided under current law. Each of these three changes to current law would dramatically reduce an inventor's ability form new businesses. If these three provisions are not corrected, the Patent Reform Act will begin to destroy Massachusetts jobs and businesses almost immediately, especially in the high technology, high-value sectors that will be the drivers of tomorrow's economy. The benefits that S.515 attempts to create elsewhere in the patent system are far outweighed, at least 10X, by loss of investment capital and business formation. S.515 will sharply constrict the flow of *hundreds of billions* of dollars that flow through the venture

capital and startup system each year. Our universities' ability to turn research into useful and life-saving products will be dramatically reduced.

Consider the one-year grace period. Under current law, 35 U.S.C. § 102 gives an inventor one year to openly discuss the invention outside a single firm, so that the inventor can raise capital, assemble strategic partners, and field test. This grace period allows a year to sort good inventions from bad before significant resources must be committed to the patent process. This eases financial demands during the most difficult part of an invention's lifetime, the early stage transition from the lab to commercialization (called "the valley of death").

Under the amendment to 35 U.S.C. § 102 proposed in S.515, the one-year grace period becomes extremely fragile—every business must assume there is no grace period, and that an application must be filed before any discussion of the invention with any other investor or strategic partner. S.515's weak grace period will impose huge costs on every innovator that cannot assemble all necessary financial, R&D, manufacturing and marketing resources within a single firm, or that has to do significant testing outside the firm. Independent inventors, startups, and university inventors will be forced to make "use it or lose it" patent decisions about a year earlier than under current law, which in turn will require filing of many more patent applications. Each application drains many thousands of dollars of capital from productive uses to speculative patent filings, many of which will turn out to be useless. S.515 will strangle many companies in their cribs, by sucking capital out to the patent attorneys. I will benefit in the short term, but in the long term the whole country is harmed.

Further, the weak grace period will cripple the Patent Office. Best estimates are that the weaker grace period will force inventors to file about 15-20% more applications, a high proportion of which will turn out to be worthless. These applications will be abandoned after the Patent Office incurs its greatest costs (first examination), but before issuance, when the Patent Office collects 80% of its fees. Furthermore, applications prepared in haste will be of poorer quality and more difficult to examine. These two factors will drive the Patent Office's costs, backlog and delay even higher.

I am also concerned with two other provisions of S.515:

- The proposal to change damages, negotiated out of the Senate committee bill but still in the House bill. I oppose any bill that departs from the Senate's spring 2009 damages compromise.
- The proposal to create new "post grant review." All recent PGR proposals essentially destroy any possibility of quiet title. Without that, patents become all but useless as vehicles for securing startup funding. The current reexamination law already gives large companies plenty of power to tie up small companies' patents, in proceedings that always take years longer than court litigation. The PGR proposals I have seen can only make things worse.

I join the concerns expressed by the small business, startup, invent-to-license, and venture capital communities that have cautioned you on these three provisions. I understand the concerns of the multi-billion dollar companies that advocate the bill, but with due respect, I observe that the litigation savings they hope to achieve are only a few percent of the value of

investment capital and highly-innovative new companies that S.515 will drain from the economy.

I have a wealth of statistical and economic data to support my opinions, and I will share it with you if you are interested.

The bill as a whole is skewed toward preserving dominance of market incumbents to the disadvantage of disruptive innovators, and to reducing the advantages that American law gives to keeping high-paying jobs in America.

The bill should not be allowed to proceed to the Senate floor until these three provisions have been removed from the legislation. At the very least, each should be replaced with a request that the Patent Office study economic effect.

Sincerely,

/David E. Boundy/

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