

February 7, 2008



2329 N. Career Ave.
Suite 200
Sioux Falls, SD 57107

Senator Tim Johnson
136 Hart Senate Office Building
Washington, DC 20510

Senator John Thune
493 Russell Senate Office Building
Washington, DC 20510

Dear Senators Johnson and Thune:

On behalf of the undersigned South Dakota-based companies, universities, innovation centers, and investors in their technologies, we are writing to raise our continuing concerns regarding S. 1145, the Patent Reform Act of 2007.

This bill, as reported by the Senate Judiciary Committee, contains numerous provisions that will weaken patent rights, reduce incentives for innovation, create business and investment uncertainty, and negatively impact South Dakota's growing technological leadership in a competitive national and global economy. In particular, the bill puts at risk the increasing economic development in the State of South Dakota that has been spurred by technology transfer of university-based patents to start-up companies across the spectrum of technological innovation, funded by venture capital and other public and private sources throughout the State.

The bill's harmful provisions include expanded apportionment of damages, an indefinite post-grant opposition system, excessive venue restrictions, and burdensome mandatory search and analysis requirements, among others. The bill also codifies the current and much-maligned "unenforceability doctrine," rather than to make broadly supported reforms to eliminate litigation abuse of this doctrine and permit more thorough information exchange between patent applicants and examiners.

We understand that efforts are underway within the U.S. Senate to develop a more consensus-oriented patent reform bill. We applaud such efforts, and would urge you to ensure that any revised bill, at a minimum, meet the following criteria before being brought up for consideration by the full U.S. Senate:

- (1) The "second window" in any post-grant opposition system should either be eliminated entirely or strictly limited in a manner consistent with the language as passed by the House of Representatives.
- (2) Any statutory language on the calculation of reasonable royalty damages should –
 - a. Preserve the discretion of courts and juries to apply any and all applicable factors and methodologies under current law;
 - b. Not direct courts or juries to engage in "prior art subtraction" or otherwise seek to separate out certain elements of a patent claim;

- c. Not restrict the ability of courts or juries to use the value of the infringing product or process as a base for calculating a reasonable royalty.
- (3) The PTO Director should not be given any authority to promulgate substantive rules of patent law, including any restriction on the manner in which applicants may claim their inventions or seek continued examination of their applications.
 - (4) The “applicant quality submissions” provision should either be eliminated, or carefully restricted and pre-conditioned on meaningful reform of the “unenforceability doctrine,” as described below.
 - (5) Any bill must contain major reforms of the current “unenforceability doctrine,” as recommended by the National Academies of Science and the PTO, under which application of this draconian penalty would be limited to patent applicants who deceive the PTO into allowing an invalid patent claim and where such deception was the cause for the claim’s issuance.
 - (6) Any reforms to the statutory venue provisions should, at a minimum, permit patent owners to sue in districts in which the claimant has its principal place of business or has engaged in substantial research, development or manufacturing activities.

We remain committed to strengthening the U.S. patent system in ways that will preserve and promote innovation across the broad spectrum of the American and South Dakota economies, and we look forward to working with you in this regard.

Thank you for considering our views in this crucial matter.

Universities

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Dr. Kevin Kephart, Vice-President for Research
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*University of South Dakota
Dr. Laura Jensi, Vice-President for Research
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Companies

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