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How Big Tech Killed the US Patent System

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This is a story about patents, but more importantly, it's a story about how the United States has become a modern-day version of the Banana Republic. The term "Banana Republic" was coined by American author [O. Henry](#) in 1904 in reference to [Honduras](#) which came under extraordinary influence by multinational American fruit corporations.

Banana Republics are societies characterized by their starkly [stratified social classes](#) and a ruling-class [plutocracy](#) composed of the business, political and military elites. The Elites rule over a servile government that abets and supports, for "contributions," [kickbacks](#) and bribes, the exploitation of the rest of society. Instead of Dole and United Fruit controlling Honduras, we now have Apple, Microsoft, Amazon, Google, FaceBook and other tech giants controlling Congress and the Executive Branch through unlimited lobbying by groups like the Internet Association[1], High Tech Inventors Alliance[2], the Software Alliance[3], Unified Patents[4] and through direct and indirect (e.g. Super PAC) political donations. As demonstrated below, the only difference between Honduras in 1904 and the United States today is that the new bananas are smartphones, software and microelectronic components.

What Are Patents?

A patent is a voluntary disclosure of new, novel and useful technical information to the world.[5] In essence, patents inform the world of something it has never seen before that can be used to solve a technical problem or improve an existing solution. For a patent to issue, the information disclosed must be sufficient to enable a person familiar with the technological field[6] to make the invention without undue additional experimentation.[7] The purpose of the patent system is to encourage the disclosure of new, innovative technology so the base of knowledge upon which other inventors work advances.[8] Technology advances faster and the world benefits from those advances when new technology is disclosed and built upon instead of hidden from other innovators in the field who, if they knew about the new technology, could further advance it.

In exchange for the technical disclosures in patents to competitors and potential competitors,

the patentee has to be protected from free-riders and thieves who contributed nothing to the disclosed technical advancement, but would copy it for their own profit. So for disclosing her invention for others to advance going forward, the original inventor/patentee is granted a patent. The patent is an exclusive right to make money off her invention for a limited period of time. A patent is essentially a right to exclude others from using your invention without compensating you. A license from the patent owner to a company that wants to use the patented technology is a compensated, or bargained waiver of that right to exclude.

A strong patent system means an inventor can rely upon the strength of his patent to actually receive the benefit of the public disclosure of his invention. This reliance on a strong patent system is called the “presumption of validity”[9]. In order to attract investments, justify research and development efforts and develop new markets for new products, a patentee must be confident that its duly-issued (and paid for) United States patent will be enforced by the issuing government and therefore respected by competitors, both existing and potential. In other words, if the patent system is viewed as weak as to enforcement of patent rights, inventors receive nothing for disclosing their inventions. The free riders, copiers and thieves can simply take the free information without compensation to the inventor. If inventors see the patent system as weak, they will not disclose their inventions, but hide them as trade secrets. This stifles innovation because new inventions that if disclosed could be improved upon are left unavailable. Most inventions today are improvements on prior, disclosed inventions, so a weak patent systems that discourages patenting slows the advances of technology and the benefits those advances would have brought to society are delayed or not realized at all. Patents matter.

The beneficiaries of a weak patent system are large multinationals who already dominate their markets with financial power and market share like Google, Facebook, Apple, Microsoft and Amazon (collectively the “Elites”). The Elites do not need patents. As they gain dominance in their markets, innovation is not as important as market share, profits and maintaining their dominance. The “peasants” (read: small companies and inventors who must innovate to compete) need strong patents to compete with, and perhaps one day join the Elites. Patents enable the American Dream.

What Google Wants, Google Gets.

Google is in essence a software company built upon a set of algorithms to enable the efficient and accurate search of internet content. Google did not invent the internet (nor did Al Gore). The internet was invented by the United States government and research institutions supported by your tax dollars.[10] Google just found a really profitable way to enable the public to efficiently use the internet Google did not create.

As a business, Google is very susceptible to competition. If a group of programmers in their garage could come up with a new set of algorithms that searched more accurately, faster or

even in a way that uses less energy, Google could be replaced, or at least have its market dominance threatened. But such a threat only exists if the new market participant is protected by patents. Without patent protection, Google can simply copy the new methods or use its hundreds of billions in offshore, non-taxed cash to buy the new market entrant for less than its full value.[11] Google understood its precarious position as to new and emerging technologies, so it did what any Banana Republic Elite would do--it set out to destroy what it perceived as the real threat: the United States patent system.

Google was one of the three largest "bundlers" of campaign contributions to President Obama.[12] The year after the America Invents Act ("AIA") was passed, Google employees and their spouses' *direct* contributions to Congressmen were almost \$1 million, spread evenly between Republicans and Democrats.[13] Google spent \$18 million on lobbyists the year the AIA was passed.[14] Google's support of "think tanks" and lobbying organizations was even greater, and was done in cooperation with other Silicon Valley Elites. These figures do not include contributions from Google subsidiary executives, the lawyers and law firms that represent Google, stockholders and other persons and entities associated with Google who Google "encouraged" to contribute.

What did Google get for its money? A new, weaker patent system that allows challenges to patents outside of court, without a jury, without any presumption of validity and using a low standard of proof. In essence, Google and its Elite friends killed any presumption of validity, the presumption that makes patents valuable by protecting the expectations of patent owners that their rights would be enforceable in neutral, impartial courts against infringers. The patent owners who paid for the research and development of their inventions, paid attorneys to prosecute the patents according to the rules at the time, paid filing fees to the PTO, paid issuance fees to the PTO, paid maintenance fees to the PTO, then invested time and money to create markets for their patented products by building factories, establishing distribution systems and marketing -- all based on the presumption that these investments would be protected from copiers, free riders and thieves by a strong U.S. patent enforcement system -- now possessed patents that were not presumed to be valid under the new AIA procedures. This massive paradigm shift has caused immense economic damage to inventors and small companies that depended on their patents for protection from infringing Elites.[15] The Elites paid their way to the destruction of the very things that made U.S. patents valuable-- their presumption of validity and impartial courts to enforce them against infringers. This was allowed to happen because the public does not understand patents, why they are important and how fragile the system has become to the Elite's efforts to destroy it. Patents may be important to a free market, innovative economy, but they are not something to which the media pays any attention because every time a patent is invalidated, a whale does not die.

Google wanted a weak patent system because it already dominated the search and internet advertising market in 2012, the year the AIA went into effect, with a 67% market share.[16]

Today with a weaker patent system firmly in place and no fear of any innovating competition protected by patents, Google's market share has increased to 92.37%.[\[17\]](#)

Killing the U.S. Patent System Required the Hiring of Executioners, in This Case, Administrative Patent Judges (APJs)

Now that Google and other Elites had destroyed the presumption of validity and removed impartial judges from the decision-making process via the AIA, they needed a set of executioners. To finish the job of killing the U.S patent system, the administrative judges appointed to hear the cases had to be insulated from meaningful legal review and understand that their job was to kill patents. Enter "Head Banana," Michele Lee, the political appointee who headed the PTO's implementation of the AIA under bundler recipient President Obama.[\[18\]](#)

Lee is a former Google patent attorney who was in charge of patent *strategy* for Google.[\[19\]](#) Let that sink in. President Obama appointed as the head of the Patent and Trademark Office the former head of patent strategy for one of the most notorious infringers of intellectual property in the world. After passage of the AIA and \$36 million in lobbying by Google the prior two years, Ms. Lee was magically promoted to Director of the PTO from her position as head of the PTO's Silicon Valley regional office.[\[20\]](#) The fox was not only put in charge of the henhouse, it was a fox paid for by the wolves.

The Executioners Ms. Lee chose were a new AIA creation, Administrative Patent Judges, or APJs. They are not judges in the sense that term is understood by Americans. They are not independent:

1. APJs work for the PTO Director, a political appointee.
2. The PTO Director can hire and fire APJs who make decisions they do not like. There is no tenured independence for APJs.
3. The PTO Director decides what to pay APJs and can change their pay for any reason.
4. If an APJ panel asserts its independence and reaches a decision the PTO Director does not like, the Director may convene an expanded panel to re-decide a case until the PTO Director and his/her political boss is satisfied with a panel's decision.[\[21\]](#)
5. The PTO Director may assign the APJs for each panel, so the decision on who hears the case is a political decision.
6. APJs are not bound by the Code of Conduct for United States Judges or any other ethics code.

7. APJs can decide cases involving former clients.
8. APJs are allowed to decide cases then go to work for the same companies that sought to invalidate patents.
9. APJs are exempt from job performance reviews.

Judges that are chosen by politicians who decide cases brought by political donors to the politicians are not really judges at all. They are banana workers who pick the bananas the donors want picked. Not every APJ is unqualified, conflicted or anti-patent, but in high profile cases involving the Elites, they almost always side with the infringer.

And even where the APJs are non-biased and qualified, the procedures designed by Michele Lee governing the APJs conduct were set up to kill patents. Neither the AIA nor PTO rules limit the number of times a patent can be subjected to *inter partes* review. Let that sink in as well. The Elites can keep attacking a patent they do not like, directly or through surrogates, until they find an APJ panel that will kill it. No matter how many times a patent owner wins at the PTAB, its patents are never safe.

Since the creation of IPRs, patents have been routinely reviewed on multiple occasions, some patent families having **more than 125** separate petitions filed. Because a decision of one PTAB panel does not bind another one, surviving one review provides no armor against subsequent challenges. Thus, a PTO Director (or for that matter a President of the United States) intent on invalidating a *particular* patent for a major donor or supporter can continue ordering more and more *inter partes* reviews until the desired outcome is achieved. Pass the bananas.

The Effect of PTAB Invalidating Patents Via IPRs

On September 26, 2016, the U.S. Commerce Department released a comprehensive report, “**Intellectual Property and the U.S. Economy: 2016 Update**,” which found that IP-intensive industries support at least 45 million U.S. jobs and contribute more than \$6 trillion dollars to, or 38.2 percent of, U.S. gross domestic product. The report, a joint product of the Commerce Department's United States Patent and Trademark Office and Economics and Statistics Administration serves as an update to the **Intellectual Property and the U.S. Economy: Industries in Focus** report released March 2012.[22] A crisis is developing in this sector of the U.S. economy, however, as new AIA procedures allowing attacks on the validity of U.S. patents have made these valuable assets far less valuable and therefore incapable of supporting the same level of investment in new industries and technologies. Jobs are being lost, millions of high paying, high tech jobs. Some economists are estimating the decline in the value of U.S. patents to be in the **trillions** of dollars.[23] That is a *lot* of bananas.

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