



Opening Statement of Chairman Sam Graves
Committee on Small Business
Hearing: "Patent Reform Implementation and New Challenges for Small Businesses"
May 15, 2013

Good afternoon. I call this hearing to order.

I want to thank our panel of witnesses for taking time away from your jobs and making the trip to Washington for this important hearing. We look forward to your testimony.

Since the founding of this great Nation, intellectual property rights have been protected as a way to inspire innovation and perpetuate economic growth. Our Founding Fathers enumerated this within our Constitution, and last Congress, we passed the America Invents Act (AIA), which represents the most significant reform to the American patent system in over 50 years. The AIA included historic changes such as; moving to a first-to-file system, as well as revisions in patent fees, a post-grant review process, and changes in certain litigation proceedings. These reforms will help strengthen our patent system to ensure that the United States remains the world leader in innovation by aiding our entrepreneurs in protecting their valuable new ideas.

In the patent arena, small firms play a critical role in developing innovation; producing 16 more patents per employee than big businesses. Moreover, obtaining a patent is equally critical for small businesses and their ability to attract start-up capital, and grow their business. According the United States Patent and Trademark Office, it takes more than 31 months to process a patent application. The AIA was passed to help reduce this backlog while simultaneously improving the overall quality and strength of the patent system. For small firms this is vitally important, as it helps expedite the development of their business and in turn aids in creating new jobs.

However, as expected with major policy initiatives, there will be challenges and obstacles with the implementation. On March 16th, many provisions of the AIA became effective, including the transition to the first-to-file system. With a unique role in the patent arena, we must ensure that these procedural changes propel small firms' ability to innovate and obtain patents. As Chairman, I have frequently heard from inventors and small businesses about the changes in the patent system and opportunities to address new challenges.

For example, despite the substantial progress made under the AIA, many small firms have expressed concerns about patent assertion entities (PAEs), or "patent trolls" as they are often called. Patent trolls attempt to bring frivolous patent claims against all types of businesses, which hinder innovation and economic growth. Recent studies found that the direct costs of these litigation cases was approximately \$29 billion in 2011;

with 55 percent of those costs attributed to firms with less than \$10 million in revenue. For small businesses the costs of litigation are particularly harmful, as it turns their limited monetary resources away from building that next great product or service. While it is important that those with valid infringement claims protect their intellectual property, one must carefully examine if merely receiving a demand letter will cause a small company to shut its doors rather than challenge the validity of the claim to ensure its merits.

Today, I look forward to hearing from our distinguished panel of witnesses on the effects of patent reform on small firms and how to best protect their intellectual property. Again, I want to thank you all for taking the time to be with us today.

I now yield to Ranking Member Velazquez for her opening remarks.