

Portland Business Journal - August 16, 2010  
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Friday, August 13, 2010

## Feds should speed patents, spur research and development

Portland Business Journal - by [Henry Nothhaft](#)

Last week, Congress took a small but important step in helping to stimulate the economy, particularly the technology sector. But there is more work to be done, and it is neither difficult nor painful work.

The House and Senate recently approved President Obama's request to allocate \$129 million to the U.S. Patent and Trademark Office. In requesting the money, the president said it "would support efforts to reduce backlogs in processing patent applications — by reforming USPTO operations to make them more effective."

While Congress made the right decision in approving the allocation, it can go even farther to help spur innovation. Here are two of the most vital steps Congress can take:

- Make the Obama allocation permanent by allowing the USPTO to spend all of the revenue it generates through its fees.
- Extend the crucial research-and-development tax credit, and make it more generous so we can be competitive with other nations.

Economists have demonstrated that innovation and technological progress are responsible for as much as 80 percent of all growth in the U.S. economy. And where do we get innovation? Mostly from small, entrepreneurial businesses. Many of those are hatched and grown here.

Small businesses innovate because they understand that our patent system will protect their inventions.

But the patent system today is ineffective. Backlogs for patent reviews are as long as three years, enough time to starve a business before it can get its products to market.

The USPTO needs more examiners, drawn from regional offices where deep talent pools of technical expertise already exist. It also must get better technology to speed and improve the review process.

President Obama understood this when he requested the \$129 million. Remember, that allocation is not costing taxpayers anything — the money is generated by the USPTO. But the office is not allowed to spend all of its money; instead, Congress diverts millions every year to other causes — a practice that should stop.

That extra money would improve the patent office, which is the most effective step toward strengthening our patent system and spurring job creation. A stronger USPTO also will reduce the amount of patent litigation, something that brings complaints from many big valley tech firms. And it would result in better patents.

On the R&D tax credit, Congress also must act quickly. R&D funding is a direct driver of new products and increased productivity.

An important point to remember: The R&D tax credit only applies to research done in the United States. Therefore, it provides an incentive for manufacturers, pharmaceutical, energy and technology companies to keep their R&D jobs at home.

The U.S. was among the first countries to develop an R&D tax credit, and in the 1980s, we had the strongest tax incentive among developed nations. Today, this U.S. tax credit ranks 17th out of 21 countries that offer such an incentive.

Again, President Obama supports extension of the R&D tax credit because he understands that innovation is a job creator. Those credits expired at the end of 2009.

Without an immediate extension of the R&D credit, how are companies supposed to draw up budgets and plan ahead? We need to know the tax rules before we allocate funding.

Not only does Congress need to extend the tax credit, Congress needs to make it more generous. That will provide the incentive for companies to do more R&D here at home.

*Henry R. Nothhaft is CEO of Tessera, a technology miniaturization firm based in San Jose, Calif.*

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