

Statement of  
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“Perspectives on Patents”

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Mr. Chairman, Ranking Member Leahy, and members of the Subcommittee, my name is Bill Parker and I am the Chief Executive Officer and Director of Research for Diffraction LTD, a technology and intellectual property based small business. Thank you for inviting me to testify today on the very important topic of patent reform.

In my testimony I hope to present some of the views of individual inventors and other small entities on needed changes to the United States patent system. As evidenced by the substantial numbers of innovations and patents that spring from small businesses around this country, and the jobs these innovations create or maintain, even our rural Vermont operation has a role to play in the United States economy and its highly valued high technologies.

My company, Diffraction LTD is not just small, it is a micro-business. This panel's members are by and large from large entities, so I will try to make this presentation as focused as possible on a few issues of patent reform as they affect individuals and small businesses. My apologies in advance if this testimony takes on a personal perspective, but perhaps this approach will help us to remember that it is (still) people that do the inventing.

### **Introduction**

Like many small technology based businesses, our company was founded by an inventor and patent holder, in our case it was my wife Julie. After earning a graduate degree from MIT, and with little or no business background, she decided to start her own company to further develop and capitalize on her skills, talents, inventions and discoveries. She found it was useful to have a partner in business with some experience finding funding and navigating the complexity of intellectual property protection - that's where I came in. As an inventor from childhood, with some reasonable commercial success, I had collected a considerable range of experiences learning about the things one did, and did not do, to capitalize on one's creativity. We started with nothing but a few good ideas.

In the last 15 years our company, now employing over a dozen innovators and a similarly sized professional support staff, has produced a number of commercially viable developments in holography, optics, microelectronics and nanotechnology. Some of these discoveries and intellectual developments have been issued United States "letters

patent”, still others are in the patenting process. We have recently launched an effort to develop innovations that may help win the war against terrorism, work supported with federal government contracts as well as our own private funds. Some of our homeland defense ideas are now in the patent process and will hopefully gain protection as well.

It is important to note that we believe our intellectual property in the long term will have a greater value than our tangible output will in the short term. Said a different way: the product of our minds probably has more value than the things we can make with our hands. This is a theme you will be hearing frequently in representations that there is a need for better patent quality. If intellectual property is not protected with high quality patents, then its value diminishes or goes away.

When we have done our inventing job well, and the result is a product in demand, we may need to depend on others to take our innovation to the market. Like other inventors that choose the licensing route over manufacturing, we then ask for a royalty payment as a return on our investment in the innovation. A royalty bearing license or other payment method is used to transfer the right an inventor has to monopolize their invention on to another party.

Ranging from a few percent and up, a royalty payment is made during the life of the patent and sometimes longer, with terms and conditions negotiated between the inventor (licensor) and the manufacturer (licensee). The licensee using or selling our patented invention wins because he has gained a protected product or process without the

