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Restoring Science To Its Rightful Place In America

Law360, New York (February 04, 2009) -- President Obama has pledged to restore science to its rightful place in America. This is music to the ears of scientists and those of us in the innovation business, but it will be no easy task to marshal the resources to make this a reality, given the vicious downward spiral gripping the U.S. economy.

In this downward spiral, a contraction in credit is fueling unemployment and foreclosures, leading to financial sector losses and a further contraction in credit, leading to more unemployment and foreclosures.

The opposite of the vicious downward spiral is the virtuous cycle. Before the current downward spiral set in, the U.S. economy also experienced a virtuous cycle, where an increase in credit increased asset values, which improved the economy and led to further increases in credit, and higher asset values and an improved economy.

The principles of the vicious downward spiral and virtuous cycle are also relevant to innovation, and the current innovation climate will make it even harder for President Obama to follow through on his pledge.

U.S. patent laws provide protection for new inventions, and new and useful improvements on existing inventions. Indeed, so called improvement patents form a majority share of newly issued U.S. patents.

The crafters of the patent laws recognized that it was possible to improve upon existing innovations, and they were wise to incentivize this activity. This tinkering and fine-tuning of inventions ultimately breeds more discovery and innovation, and can spawn a virtuous cycle of innovation.

As groundbreaking as the invention of the telephone was, it came about as a result of the tinkering and fine-tuning of existing inventions. No doubt, however, the invention of

telephone technology has spawned even greater amounts of innovation that continue to this day.

As long as innovation is happening, the engine keeps chugging along, picking up more and more steam along the way. It should surprise no one that we owe our very high standard of living to this innovation engine, and it is the principal distinction that separates advanced and developing economies.

Unfortunately, innovative as we are, we have not figured out a way to keep this engine chugging along without finance, and the credit crisis and economic downturn is causing the engine to slow down in a major way. As an example, the U.S. biotechnology industry is falling victim to this slowdown.

The steady stream of available capital to fund biotech companies has all but dried up. Some companies have closed shop and others will follow soon. Many are drastically cutting their research budgets in order to preserve capital to focus on their most promising projects, or on those that have the shortest path to market. Many thousands of innovators are losing their jobs, and more are sure to follow.

The consequence of this slowing down of innovation ultimately means that we may start to see even less innovation, because inventions that do not happen today necessarily cannot be improved upon tomorrow, and therefore cannot spawn new discoveries.

The virtuous cycle of innovation then stops and a vicious downward spiral can take hold. That is, the slowdown of our innovation engine causes it to slow down even more.

The sad reality is that innovation in America today is slowing down, and if our political leaders are not careful, it will slow down even more, leading to dire consequences for our position as a global leader in innovation, and our living standards.

President Obama's pledge is a needed step in the right direction to keep our innovation engine chugging along. Indeed, some funds have been allocated for science and technology in the new stimulus package that Congress is working on, and this is welcome news. More is needed.

Money for roads, bridges and even the \$50 million for the National Endowment for the Arts, which appears in the House version of the bill, will stimulate the economy like all spending does.

However, these are not the kinds of investments that will create long-term economic growth, improved living standards and a sustainable U.S. economy. If we don't want our innovation engine to lose steam, there needs to be greater emphasis on stimulating innovation in the stimulus package.

For example, the Biotechnology Industry Organization (BIO) is proposing a temporary tax law change to fund biotech companies' research and development by granting companies the ability to claim a benefit on their existing deferred tax assets, at a discount, in exchange for permanently forgoing these tax benefits when the company becomes profitable.

This proposal will save promising research projects already underway, and keep innovators in their jobs. Certainly much more is needed for the biotech industry and other innovative American industries. However, BIO's proposal will go a long way toward helping to restore science to its rightful place in America and keeping at bay the vicious downward spiral that threatens innovation within the biotech industry.

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