



# PATENT, TRADEMARK & COPYRIGHT



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### Patents

An optional post-grant assessment by the Patent and Trademark Office, stating in plain language what the patented invention covers, would avoid expensive litigation costs by defining the patent's scope at an early stage.

### Post-Grant Scope Assessments: A Proposal for Patent Reform From a Different Angle

By BRUCE LATHROP

Is it just me, or do others find that many patents on software and business methods can be exceedingly difficult to understand without hours of study?<sup>1</sup> And I'm a patent attorney. What about the plight of engineers, scientists, business executives, and district court judges not trained in patent law? Much of the patent reform discussion focuses on how to improve the quality of patents being issued by making available better prior

<sup>1</sup> There is no shortage of study material. To understand a patent's claims, one may need to review the disclosure, the prosecution history, the cited references, un-cited references, prior articles by the inventors, dictionaries, all relevant litigation and re-examination documents, and all related domestic and foreign patents and published patent and provisional applications, along with their prosecution histories, and so on and so forth.

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art, educating examiners on the state of the art, or creating means for peer review to assist examiners. Other discussion focuses on reducing the leverage of patentees in holding alleged infringers hostage with the threat of litigation and injunction.

My experience advising clients, who would rather focus their business efforts on delivering cutting-edge technology to customers, is that the most useful reform to patent laws would be to cut the transaction costs associated with understanding many of the 100,000 plus patents issued each year<sup>2</sup> that might affect their business.

**Hiding a Patent's Scope.** I have noticed a number of patents that seem to take great pains to hide the true scope of the claimed invention, from the beginning of the specification by speaking in terms of "aspects" or "embodiments" of the invention rather than just the

<sup>2</sup> For instance there were 143,806 patents granted by the Patent and Trademark Office in 2005. *All Technologies (Utility Patents) Report*, PTO (available at [http://www.uspto.gov/go/taf/all\\_tech.htm](http://www.uspto.gov/go/taf/all_tech.htm), on Oct. 12, 2006).

“invention.” In fact, some patent practitioners advise against ever referring specifically to the “invention.”<sup>3</sup>

Of course, one can supposedly look to the claims to understand the invention. After all, they are supposed to “distinctly set forth” what is claimed as the invention. Unfortunately, this approach is not always helpful even when a patent has only 20 claims. How does one quickly advise a client about the scope of a patent that has 665 claims?<sup>4</sup>

**Not Much Help From Courts.** Some courts have come to the rescue in reducing the cost of litigation by focusing much earlier on claim construction, a process by which the judge reads the claims and tells the parties what the claims really mean. This is necessary because neither the applicant, the examiner, nor the patent attorneys representing the parties have succeeded in distilling a useful and persuasive meaning to the claims.

To top it off, even the district courts get it wrong so often<sup>5</sup> that the House of Representatives recently passed a bill to allow for referral of patent matters to specific judges who have received extra training in patent law.<sup>6</sup>

Again, if this group cannot figure out what inventions are being claimed in patents, what hope is there for business executives, scientists, and engineers?

**Post-Grant Scope Assessments.** It is to reduce these everyday transaction and litigation costs faced by technology companies that I propose in this article a radical plain language requirement on the patent system. Plain language requirements are already being pursued for federal regulations,<sup>7</sup> why not in the area of patent grants? To adopt such requirements will actually allow patents to serve the notice function that they are supposed to serve.

However, rather than demanding our scientists, engineers, and patent practitioners suddenly begin drafting in plain language, and in recognition that technology and language do not always match precisely, I borrow from the goals of the Paperwork Reduction Act<sup>8</sup> to argue that one should only have to spend a reasonable amount of time understanding and complying with a government mandate.

Therefore, I propose that one skilled in the art ought to be able to understand the effective scope of a granted

patent in no more than eight hours.<sup>9</sup> If that cannot be done, then the transaction costs associated with complying with the mandate of issued patents begins to become unreasonable, so much so that the notice function of patents becomes more a myth than a reality.

To be more specific, I propose an optional post-grant scope assessment in the form of a plain language statement of what the patented invention covers. Ideally, the content of this statement would be comparable to a situation where a would-be infringer had access to an actual working model of the invention and literal infringement would be tantamount to copying that model.

Where a patent is a continuation or continuation in part, the assessment would focus on how the continuation patent is different from the parent application (or grandparent application, if applicable).

**Senior-Level Review.** This assessment would be completed though an eight-hour “initial scope assessment” by a senior examiner,<sup>10</sup> thus recognizing the time requirement set forth above, but also avoiding delay in issuing the patent and minimizing the additional burden this assessment will place on the Patent Office.

The senior examiner would be familiar with the art, but not the patent case, relying only on the claims and disclosure in the patent and residual knowledge of the art (i.e., the senior examiner would not review cited or uncited prior art documents or discuss the case with the examiner who granted the patent). Once it is completed and at the same time that the patent is published, this initial scope assessment would be appended to the front of the patent in the Patent Office’s online patent database.

The patentee and any interested third parties would then have six months to suggest changes to the initial scope assessment, with each entity limited to a single, two-page submission. At the end of six months, the same senior examiner who prepared the initial scope assessment would review all changes suggested by the patentee or third parties and make any changes to the scope of the initial scope assessment that the examiner deems warranted.

The final scope assessment would then be published in the patent database. This final scope assessment would be subject to review under an abuse of discretion standard.

**Assessment Would Be Optional, But With Incentives.** Again, choosing to have this assessment would be at the option of the applicant.

However, to cover the cost of these additional assessment efforts without creating a disincentive to choosing this option, I propose that a fee be added to opt-out of the assessment.

Moreover, there will be two much more significant benefits to opting for the assessment. First, by having such an assessment, willfulness damages would be available if the infringer knowingly practiced the invention disclosed in the final scope assessment.

<sup>9</sup> I am open to other figures, but eight hours seemed reasonable at this stage of the discussion.

<sup>10</sup> Other agency personnel might have the proper training and perspective to complete these assessments. Therefore, some readers may prefer to view “senior examiner” as a placeholder for purposes of this discussion.

<sup>3</sup> See e.g., Gary R. Maze, “Avoiding the Present (Invention)” (71 PTCJ 414, 2/17/06).

<sup>4</sup> *Statement of James Balsillie, Chairman and Co-Chief Executive Officer, Research In Motion Before the Subcommittee on Courts, the Internet and Intellectual Property of The House Committee on the Judiciary On “Patent Quality,”* p. 7, April 5, 2006 (available at <http://judiciary.house.gov/media/pdfs/balsillie040506.pdf> on Oct. 12, 2006).

<sup>5</sup> According to Judge Kent A. Jordan of the U.S. District Court for the District of Delaware, 37 percent of patent infringement rulings are reversed on appeal. “U.S. District Judge Faults House Patent Bill; Professor Seeks More Patent Appeals Courts” (72 PTCJ 647, 10/13/06).

<sup>6</sup> H.R. 5418 (establishes pilot program to reassign patent cases to designated courts) (72 PTCJ 604, 10/6/06).

<sup>7</sup> “Regulation in Plain Language Act of 2006,” H.R. 4809 (available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109\\_cong\\_bills&docid=f:h4809rh.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_bills&docid=f:h4809rh.txt.pdf) on October 12, 2006.)

<sup>8</sup> 44 U.S.C. §§ 3501 et seq. (Lexis 2006)

More importantly, if the patentee elects not to have this assessment, no willfulness damages will be available, only general damages.

The second significant benefit of choosing the assessment option concerns the availability of an injunction. This benefit has two parts. First, if the patentee chooses not to have the assessment, an injunction will not be available.

Second, if a patentee has selected the assessment option, such selection would be a fifth factor to be considered along with the four factors in *eBay*<sup>11</sup> for determining whether the patentee is equitably entitled to an injunction.

If the patentee chooses to have the assessment, this additional equitable factor would weigh in favor of the patentee where the infringer knowingly practiced the invention disclosed in the final scope assessment. Where the infringer did not knowingly practice the invention disclosed in the final scope assessment, this fifth factor would not be considered, but an injunction would still be considered based on the other four factors if a traditional review of the accused device and the patent document itself led a court to conclude the accused device infringed.

The doctrine of equivalents would apply as it currently does if the patentee has not elected to have a scope assessment. However, as noted above, the patentee would not be entitled to willfulness remedies or an injunction.

On the other hand, if the patentee elects to have a scope assessment and seeks willfulness and injunction remedies, the doctrine of equivalents will be based on equivalents to the invention scope described in the final scope assessment. General damages would be still be available for infringement of the claims themselves under the doctrine of equivalents.

**Seven-Part Benefit.** I believe the foregoing proposed reform will have the following desirable effects. First, there will be less need to limit the number of claims allowed in each patent. This is because any assessment is unlikely to capture the minutiae of detail buried in numerous claims and, therefore, there will be less benefit to getting such numerous claims allowed.

Second, and in contrast, the proposed reform will reward clearer specifications and fewer claims because the senior examiner will be more likely to recognize and successfully capture the critical scope of the applicant's invention within the eight-hour assessment window.

Third, continuation patents and continuations in part patents, which often differ in barely discernable ways, will have their value diminished by a scope assessment that evaluates and focuses only on these differences, thus lessening both the incentive to file such continuations and the need for reforms limiting continuation practice.

<sup>11</sup> Under *eBay Inc. v. MercExchange LLC*, 126 S.Ct. 1837, 78 USPQ2d 1577 (2006) (72 PTCJ 50, 5/19/06), the four factors the patentee must show are: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction."

Fourth, where the applicant chooses to have the assessment, the transaction costs incurred by the public to interpret the scope of the claims will be drastically reduced. This will be especially true if potential infringers are willing to take some risk of general damages. In those circumstances, the potential infringer need only be sure that any product or method they practice stays clear of the product or method disclosed by the final scope assessment. This creates a "reverse safe harbor" for avoiding an injunction and enhanced damages. Conversely, it helps the patentee by marking a narrow "high-risk zone," warning would-be infringers of the core innovation the patentee deems most valuable and worthy of full protection.

Fifth, this proposal is likely to reduce the cost of litigation because the final scope assessment will effectively serve as an initial and more defensible claim construction, due to the years of patent law and art experience of the senior examiners who will be preparing them.

Thus, the parties are not forced to educate a district court judge on both the technology and the applicable law and suffer the resultant high reversal rate on appeal.

Sixth, this proposal preserves the opportunity to obtain complex patents with a large number of claims if the applicant believes such offensive or defensive protection is warranted. In such a case, the applicant may be willing to risk losing the right to an injunction or willfulness damages if the final scope assessment did not capture the full scope of the invention, or the applicant may simply choose not to have the assessment and simply forego the right to such remedies.

Finally, the above proposal will reduce the need to subject issued patents to re-examination or begin a potentially costly and time-consuming pre-grant peer review procedure.

This will be true because the transaction costs of interpreting prior art against the patents will be greatly reduced if all parties can more readily compare the final scope assessment against the prior art because the claim construction step will essentially already be done.

**Time and Resource Saver.** In summary, American business has long argued that day-to-day decisions about where and how to invest financial and human resources should not be hindered by uncertain government mandates. Over the years, our government institutions have progressed in fits and starts in reducing the "red tape" of such mandates.

However, as argued above, the calls for patent reform that I have read do not focus on reducing transaction costs by making the patent red tape easier to understand. Instead, these reforms seem to be reaching for a more just result in terms of rewarding only innovation that merits reward—innovation that is defensible in terms of its contribution to society.

Some of these reforms propose business and government spend more up front through peer review or challenges to published (and unexamined) applications. Other proposals, seek to reduce the return on R&D investment by limiting the flexibility of applicants seeking the protection they may need by limiting the number of claims or the number of continuations.

Still others seek to make the judicial process work more efficiently, saving some incremental cost in legal fees and business disruption.

I think that all these reform efforts have some merit, but they may not significantly decrease the overall burden of the patent system on business and thus, reverse the growing disaffection many businesses have with the system.

As outlined above, my proposal approaches patent reform from a different angle by reducing the time and resources that businesses must devote to determining how to comply with the 100,000-plus new patent mandates issued each year by the federal government.