

FTC/DOJ ROUNDTABLE DISCUSSION

*Current Issues Involving the U.S. Patent System and Competition
Room for Improvement*

*By
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1. Proliferation In The Number And Types Of Patents.
 - A. Are we rewarding “invention” or innovation or R&D or merely investment?
 - B. Software and business method patents: Do they help or hinder competition?
 - C. The standard of invention is simply too low. Stop treating “applicants” and “petitioners” as “customers” and recognize the potentially great economic power patents give and the need for them to be truly earned.
 - D. “Continuation” prosecution practice is a significant part of wearing down the PTO and results in the issuance of bad patents..

2. Patents Contain An Increasing Number Of Claims Which, Often Confuse And Are A Trap For The Unwary. They Can Constitute Webs And Thickets In Themselves: Are Claims Understandable to Those who Innovate and/or do Business and Would Compete?

Should the number of claims be limited?

If trial courts are frequently reversed on claim construction by the CAFC (40% of the time) after their Markman Hearings or a bench trial, how can people or companies who import, make, sell, use or offer for sale (including consumers and retailers) know what is prohibited merely by reading the patent? There is a need for reform and to move away from patent roulette.

3. We Need a Better Trained and Equipped PTO Examiner Corps With Time to do Their Important Job. There is an often overwhelmed and inadequately trained and equipped examining corps. However well intended they may be, in most cases involving high technology, rich companies at the frontiers of technology can create a match up between Superman and Mickey Mouse. By reducing the number and complexity of patents examined and granted, hiring more and better trained examiners and precluding the “washing” of a huge number of prior art items during the process, the quality will improve. We should compel the designation by the applicant and counsel of the “best” prior art.
4. Take Financial Incentive Considerations for the PTO Out of the Important Examining Process. The Patent Office has undesirable financial incentives which causes it to encourage filings, more claims per patent and to issue patents. Its fee structure is not one

designed to primarily serve the public interest. It expressly treats applicant/petitioners persons and companies as “customers” rather than petitioners seeking valuable and exclusionary government grants. Is the “customer” always right? There is nothing wrong with the USPTO performing a service and not recovering its operating costs and being even more available to small entities and individual inventors.

5. Eliminate Any Profit Incentive For Examiners in the Form of Bonuses or Salary Increase for False “Efficiency” Which Can Results In Poor Patent Quality. Bonuses encouraging disposal rates create a bias in favor of issuing patents. Should we give financial incentives to those examining new drug application at the FDA or those producing money at the U.S. Mint to produce more and at a faster pace? Why not give IRS examiners a greater salary for very rapidly processing more tax returns?

6. Eliminate the Perceived Burden Of Proof On The PTO To Show Lack Of Invention (35 U.S.C. § 102) . Put the real burden where it belongs, i.e., on the applicant. Can what exists be logically correct and be squared with a statutory presumption of validity (35 U.S.C. § 282) attaching to all issued patents which can then only then be later overcome by clear and convincing evidence of invalidity?

7. Re-examine the Proof Standard Required to Overcome The Statutory Presumption Of Validity In The Courts. This can now only be overcome by meeting a judicially created “clear and convincing” proof standard. This should be corrected.

8. Discourage if Not Prohibit Arcane and Confusing Claim Language and The Number of Claims. The effort by patent applicants to block all paths available to competitors and potential competitors and fence off technology results in claims often incomprehensible to both judges and jurors and those who would compete or purchase from those who compete. Almost every patent infringement case now requires a Markman hearing to determine – what should be apparent on its face-- what a patent says or means? Judges after tutorials and hearing evidence are now – on appeal – almost found to be as often wrong as right! Is this any way to run a patent system?

9. High Cost (And Very High Risk) To Defend Against A Claim Of Infringement Irrespective of its Merits. Two million dollars is not an unusual cost and the primary cost burden is most often on the accused against whom the deck is now stacked.

10. Far Too Low A Standard To Obtain A Permanent Injunction At The Whim Of The Patent Owner. Rule 65 is virtually automatically applied in every case without regard to the “public interest.” Courts should hear from the public and non-party competition and

customers before issuing an injunction. The opposing litigant is all too often afraid to fully speak out hoping to later settle if it loses and then share the patent grant via a license, etc.

11. Treble Damage Risks Often Going Beyond a “Reasonable Royalty” Often Force or Encourage Unwarranted Settlements and/or Anti-Competitive Arrangements and/or

Market Withdrawal. Invalid patents are often not tested because the great risks favor settlement often at unwarranted costs to the alleged infringer.

12. Legitimate Defenses Have Been Made Increasingly Hard to Prove by the CAFC.

Unclean hands, inequitable conduct antitrust violations and other defenses are more difficult to establish and the patent is increasingly seen as creating a legal “but for” basis on which to permit or diminish proper competition.

13. Business And Institutional Misuse Of The Patent System. The creations of patent

thickets by the successive filing of large number of closely related and overlapping patent improvement applications and washing prior art (which obscures or hides the truly relevant prior art) and increasing the number of claims in a patent, present serious competitive issues. Why not require the applicant specifically to point out the “best prior art” just as it must point out the “best mode” for practicing an invention?

14. Abuse Of The Courts By Patent Owners. The use of “rocket” docket courts by those patent owners who are ready to go to trial to pressure the newly-sued, unprepared (and sometimes innocent) and bad faith assertions of infringement to force licenses and filing of suits needs to be reexamined as to legal and Rule 11 propriety.

15. Collusive and Anticompetitive But Arguably “Legal” Interference And Infringement Settlements Via Licensing Are a Basis of Concern. Remedies need to be considered. Amendment of 35 USC § 135(c) to give it teeth and make it effective should be considered. It should be expanded to include litigation (or even possibly prelitigation) settlements in some circumstances.