

# *patent litigation does not scale down well*

average legal costs/fees for single-patent litigation

amount in controversy	costs per side	X 2 = total for both sides	total costs as % of amount in controversy
less than \$1M	\$0.5M	\$1M	>100%
\$1M to \$25M	\$2M	\$4M	...
more than \$25M	\$4M	\$8M	<32%

Report of Economic Survey 2003  
American Intellectual Property Law Association

**Table 2: Comparison of costs and fees payable by the contracting parties to the Munich Convention, in the United States and in Japan**

	Filing/search fees	Examination fees	Grant fees	Renewal fees	Translation costs	Agent's fees	Total
EPC	810 +532	1 431	715	16 790 <sup>1</sup>	12 600	17 000	49 900
United States	690	-	1 210	2 730 <sup>2</sup>	n/a	5 700	10 330
Japan	210	1 100	850	5 840 <sup>3</sup>	n/a	8 450	16 450

“[B]road notions of patent eligibility appear to be in the best interest of the patent bar, the PTO, and the Federal Circuit [CAFC]. Workloads increase and regulatory authority expands when new industries become subject to the appropriations authorized by the patent law. Noticeably absent from the private, administrative and judicial structure is a high regard for the public interest.”

Roger E. Schechter and John R. Thomas, *Intellectual Property*, West Publishing 2003

*exacerbated by*

- ex parte nature of examination process
- complexity and opacity of patent system
- association with ethical aspects of copyright / plagiarism
- association with knowledge and innovation

*institutional forces lead to*

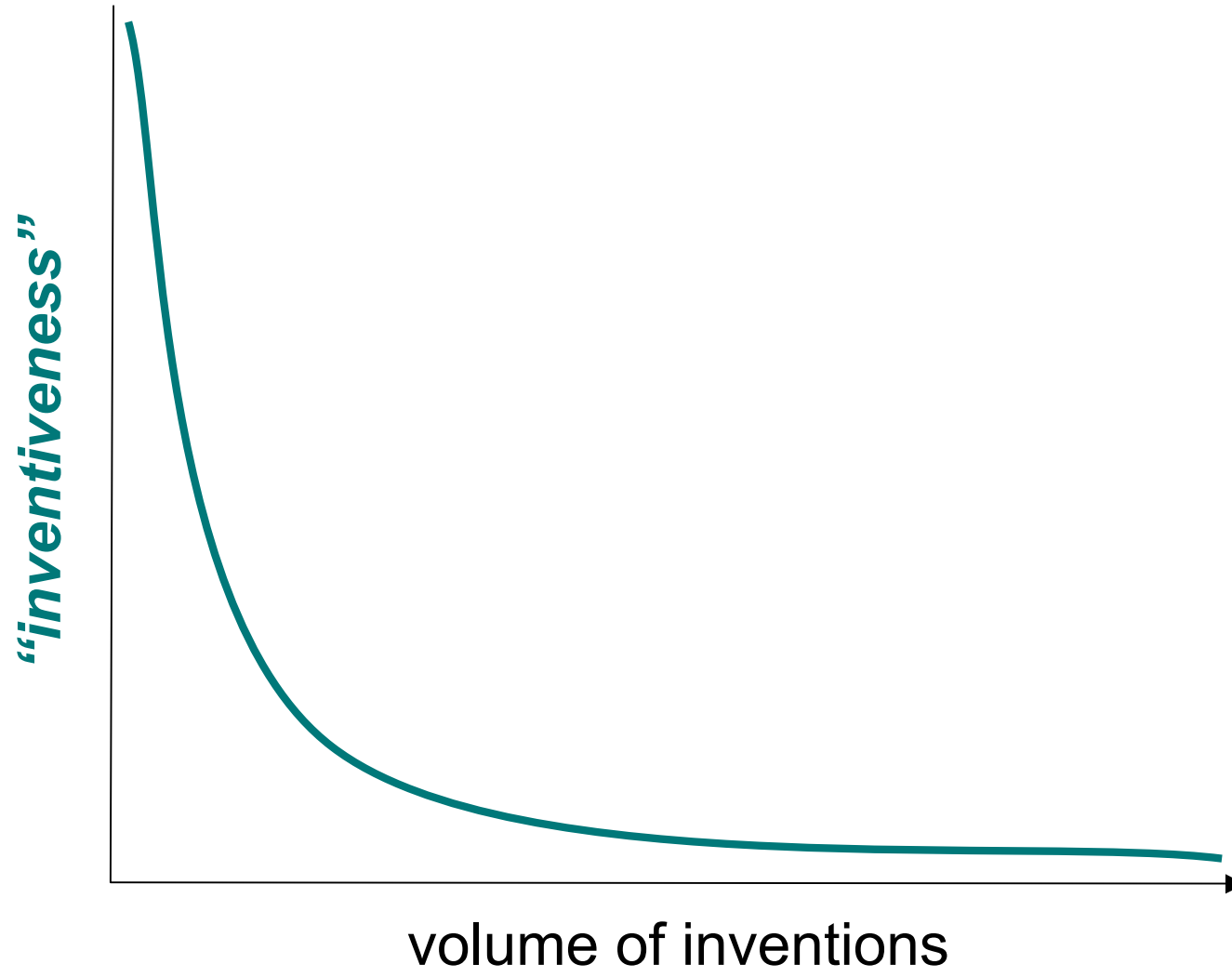
- lowered standards
  - from genius test to entitlement
- expansion of subject matter
  - life forms, software, business methods
- “stronger” patents
  - heightened presumption of validity
  - doctrine of equivalents
  - routine injunctions

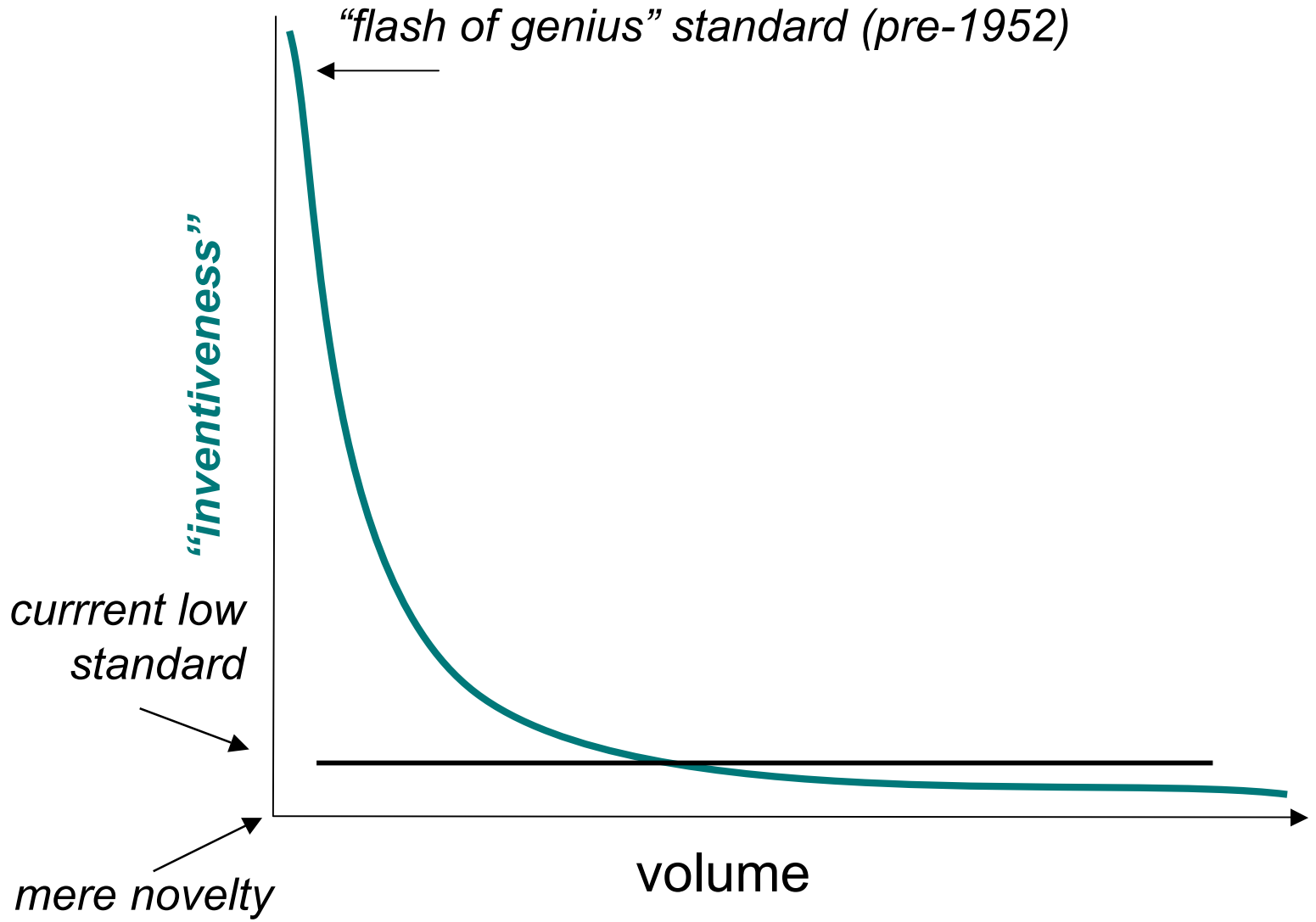
*a legal fiction*

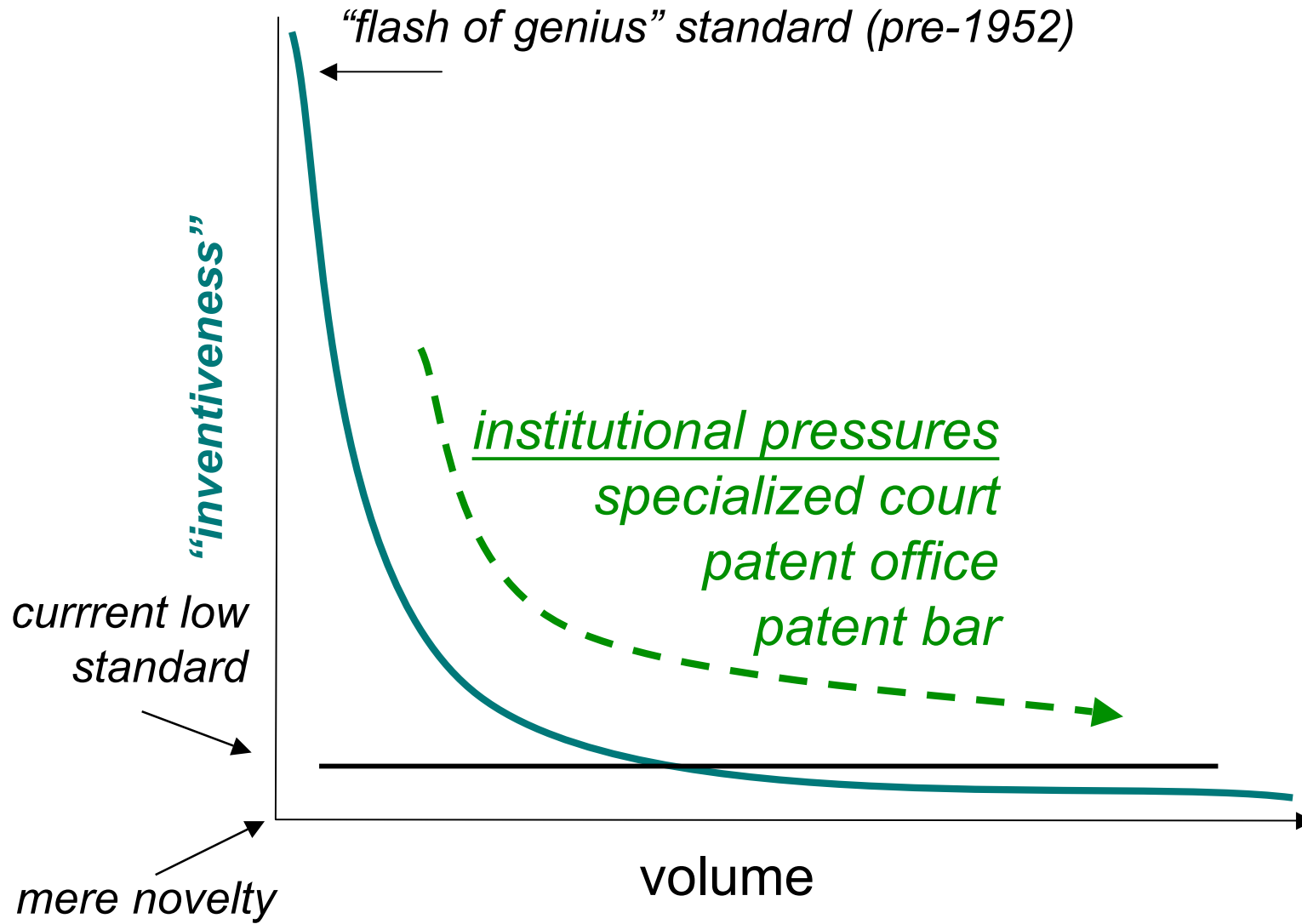
inventive / nonobvious

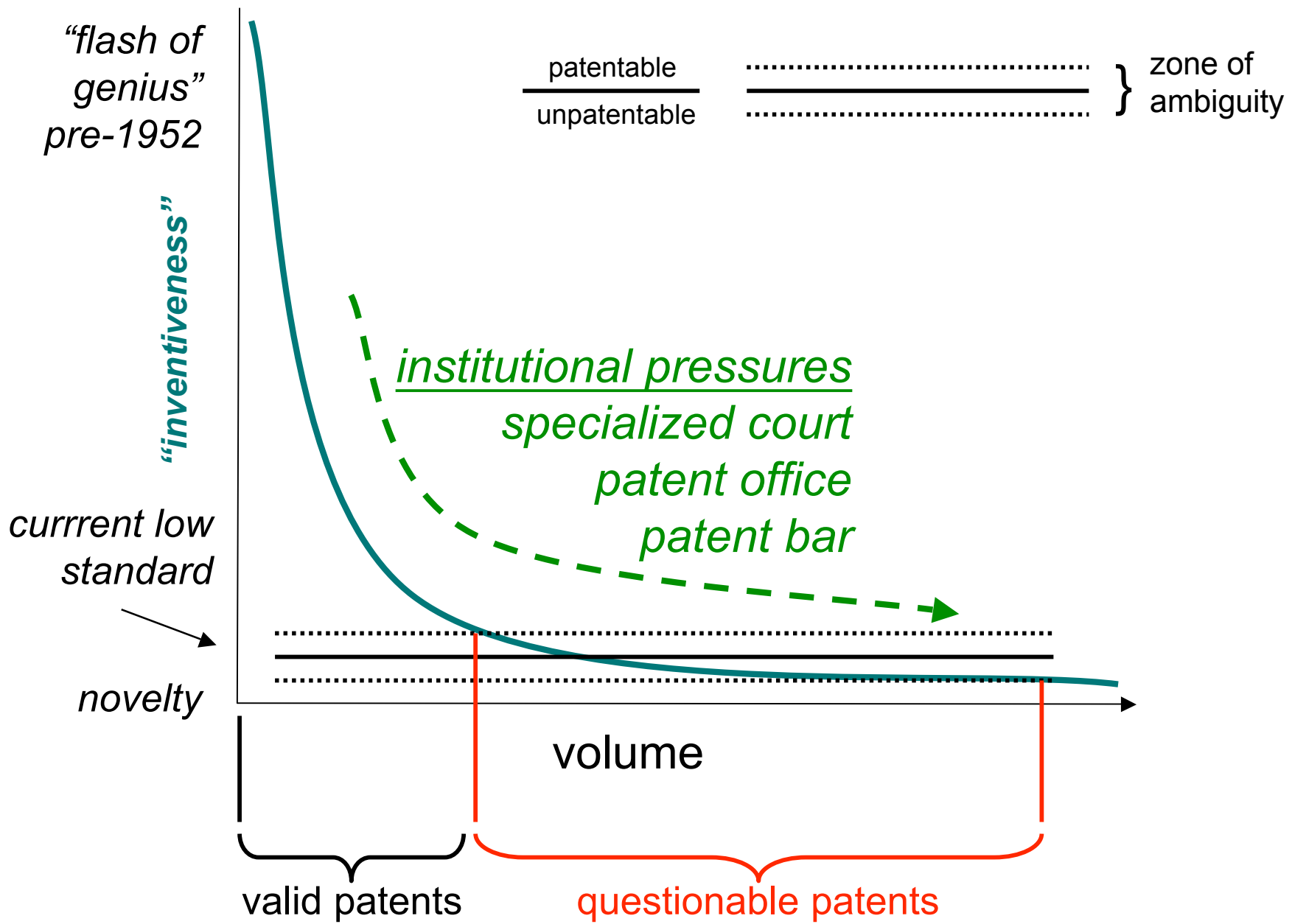


uninventive/obvious









*but economic factors argue for higher standards*

- greater educational attainment
  - human capital
  - advanced technology
- distributed capability
  - more players
  - working teams = group insight
- globalization
  - lower barriers, more competition

*software an extreme case*

- ubiquitous independent innovation
- low barriers to entry and development costs relative to transaction costs
- globalization standards
- distributed innovation
- exposure to liability

*incentives to capture at multiple levels*

patent agents/ attorneys	income based largely on volume of applications favors more and stronger (more attractive) patents
patent offices (+ WIPO/PCT)	fee-based funding favors lowering standards and expanding subject matter
specialized courts	increased prestige from expansion of scope and intensity of patent system – i.e., regulation of innovation throughout the economy
national strategies	volume creates domestic thickets, strategic practices, and patenting culture that inhibit new entrants and outsiders – while advocating adoption in other jurisdictions

# ***USPTO 21<sup>st</sup> Century Strategic Plan***

## **Listing of Action Papers**

*<http://www.uspto.gov/web/offices/com/strat21/action/actionpapers.htm>*

- 11 Global Development 1 Pursuit of Substantive Patent Law Harmonization
- 12 Global Development 2 Other Bilateral/Multilateral Agreements
- 13 Global Development 3 Patent Cooperation Treaty Reform
- 14 Global Development 4 International Cooperation: E-Filing and Classification of Goods/Services

## **Details:**

The details of this action paper are by their nature sensitive and confidential, and therefore not appropriate for publication.

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# ***Justification***

## ***“but-for” principle***

*Patents should be granted only as needed  
to induce inventions that would not otherwise be made*

- Standards should be sufficiently high that independent invention and inadvertent infringement rarely occur.
  - Patent standards should reflect changing economic conditions (globalization, team enterprise, high standards and expectations)
  - Patents should not constrain the creation and flow of knowledge that does not require patents as an incentives (standards development, professional networks)
  - The practice of innovation should not require regular consultation with lawyers.
  - Patents should be of sufficient quality to ensure that patents are read for their technical content and that patent information is efficiently cited and diffused.
  - Patents should not be asserted against users and consumers.
  - A regime that is optimized for certain industries and works poorly in others is both inefficient and discriminatory.

# ***Accountability***

## *Patent policy should be results-oriented*

- Governments should monitor and evaluate the impact of the patent system on an ongoing basis
  - Governments should collect information on scope, form, and nature of licensing transactions.
  - Patent quality should be evaluated by scientifically derived criteria.
  - Publicly held companies should be required to report on patenting and licensing practices, including liabilities and contingencies.
  - Information about patent assertions, discoveries of prior art, and settlements should be a matter of public record. Agreements to suppress such information should be unenforceable.
  - Transaction costs and their effects must be taken into account in evaluation and policy development.