

Promoting Innovation – The Role of Patent Quality

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Agenda

- Quality
- Troubling Developments
- Suggested Remedies

Quality

What are high-quality patents?

- high inventive step
- clearly written, no intentional “smoke and mirrors”
- not a minor variation of some other patent

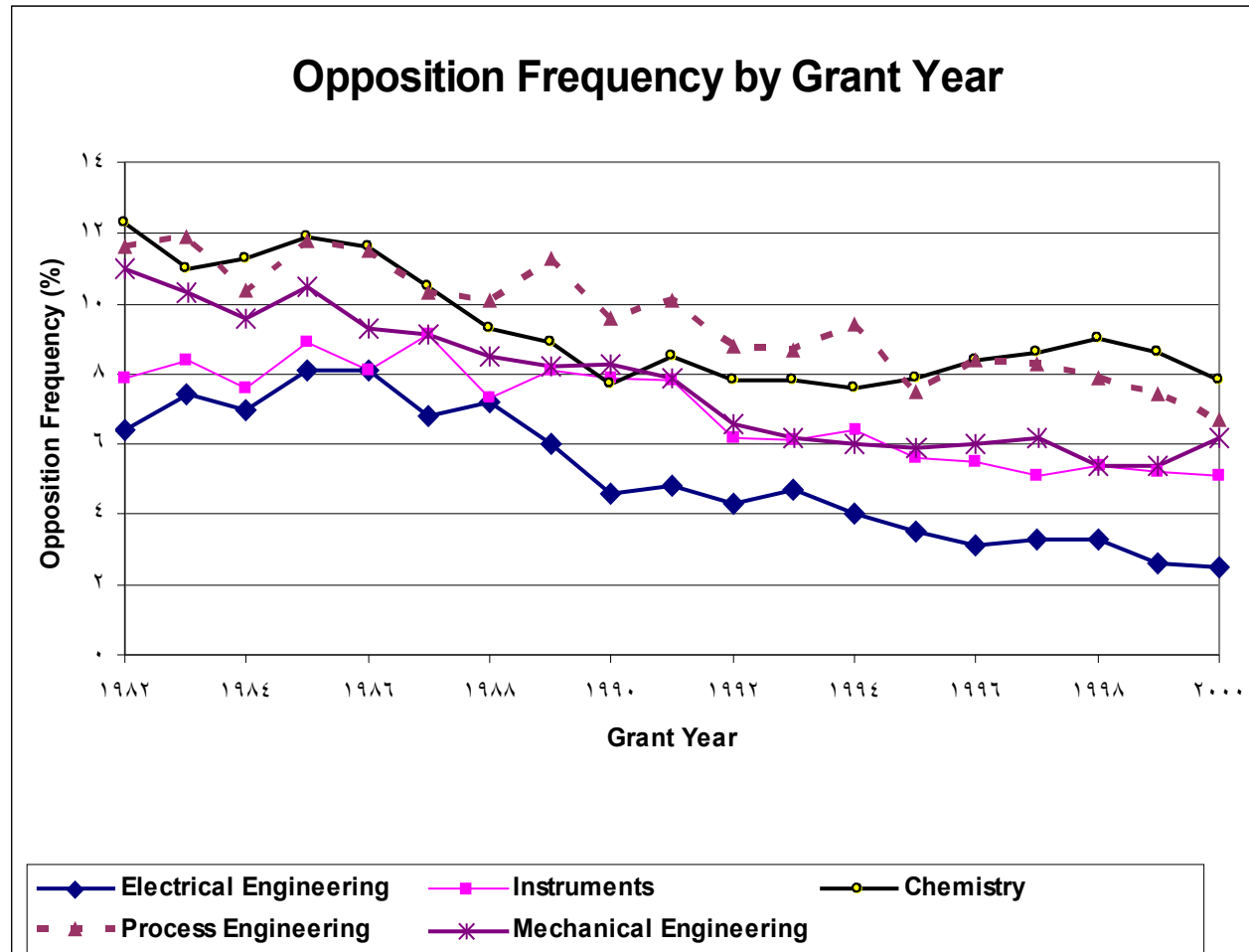
- all prior art taken into account in search/examination
- clearly delineated, non-overlapping with other patents
- extent of patent protection commensurate to the contribution to the state of the art

- legally “robust” = small likelihood of revocation in courts
- low uncertainty for investment

Troubling Developments

- growth in patent filings exceeds R&D
- strong growth in number of claims (with implications for grant lags)
- intentionally deficient patents
- delay tactics
- declining delineation between patent rights
- lower patent value (measured in scope years)
- lower opposition rates

Troubling Developments



Troubling Developments Claim Flooding

(12) INTERNATIONAL APPLICATION PUBLISHED UNDER THE PATENT COOPERATION TREATY (PCT)

(19) World Intellectual Property
Organization
International Bureau



(43) International Publication Date
9 June 2005 (09.06.2005)

PCT

(10) International Publication Number
WO 2005/051451 A2

From a series of 7 WO/PCT
applications

WO 2005/046747 A2 - 1,738 claims
WO 2005/046746 A2 - 10,247 claims
WO 2005/051444 A2 - 19,368 claims

- (51) International Patent Classification⁷: A61L 31/00
- (21) International Application Number: PCT/US2004/039099
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- (25) Filing Language: English
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- | | | |
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| 60/523,908 | 20 November 2003 (20.11.2003) | US |
| 60/524,023 | 20 November 2003 (20.11.2003) | US |
| 60/525,226 | 24 November 2003 (24.11.2003) | US |
| 60/526,541 | 3 December 2003 (03.12.2003) | US |
| 60/578,471 | 9 June 2004 (09.06.2004) | US |
| 60/586,861 | 9 July 2004 (09.07.2004) | US |
| 10/986,230 | 10 November 2004 (10.11.2004) | US |
| 10/986,231 | 10 November 2004 (10.11.2004) | US |
- (71) Applicant (for all designated States except US): ANGIOTECH INTERNATIONAL AG [CH/CH]; Bundesplatz 1, CH-6304 Zug (CH).
- (72) Inventors; and
- (75) Inventors/Applicants (for US only): HUNTER, William, L. [CA/CA]; 1618 Station Street, Vancouver, British Columbia V6A 1B6 (CA). GRAVEYTT, David, M. [CA/CA]; 616 West 21st Avenue, Vancouver, British Columbia V5Z 1Y8 (CA). TOLEIKIS, Philip, M. [US/CA]; 8011 Laburnum Street, Vancouver, British Columbia V6P 5N8 (CA). MATTI, Arpita [CA/CA]; #211 - 2920 Ash Street, Vancouver, British Columbia V5Z 4A6 (CA).
- (74) Agents: LIN, Qing et al.; Seed Intellectual Property Law Office, 701 - 15th Avenue, Suite 6300, Seattle, WA 98104-7092 (US).
- (81) Designated States (unless otherwise indicated, for every kind of national protection available): AE, AG, AI, AM, AT, AU, AZ, BA, BB, BG, BR, BW, BY, BZ, CA, CH, CN, CO, CR, CU, CZ, DE, DK, DM, DZ, EC, EE, EG, ES, FI, GB, GD, GE, GI, GM, GR, GU, HK, HU, IL, IN, IS, JP, KE, KG, KP, KR, KZ, LC, LK, LR, LS, LT, LU, LV, MA, MD, MG, MK, MN, MW, MX, MY, NA, NI, NO, NZ, OM, PG, PH, PL, PT, RO, RU, SC, SD, SE, SG, SK, SL, SY, TJ, TM,

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(54) Title: ELECTRICAL DEVICES AND ANTI-SCARRING AGENTS

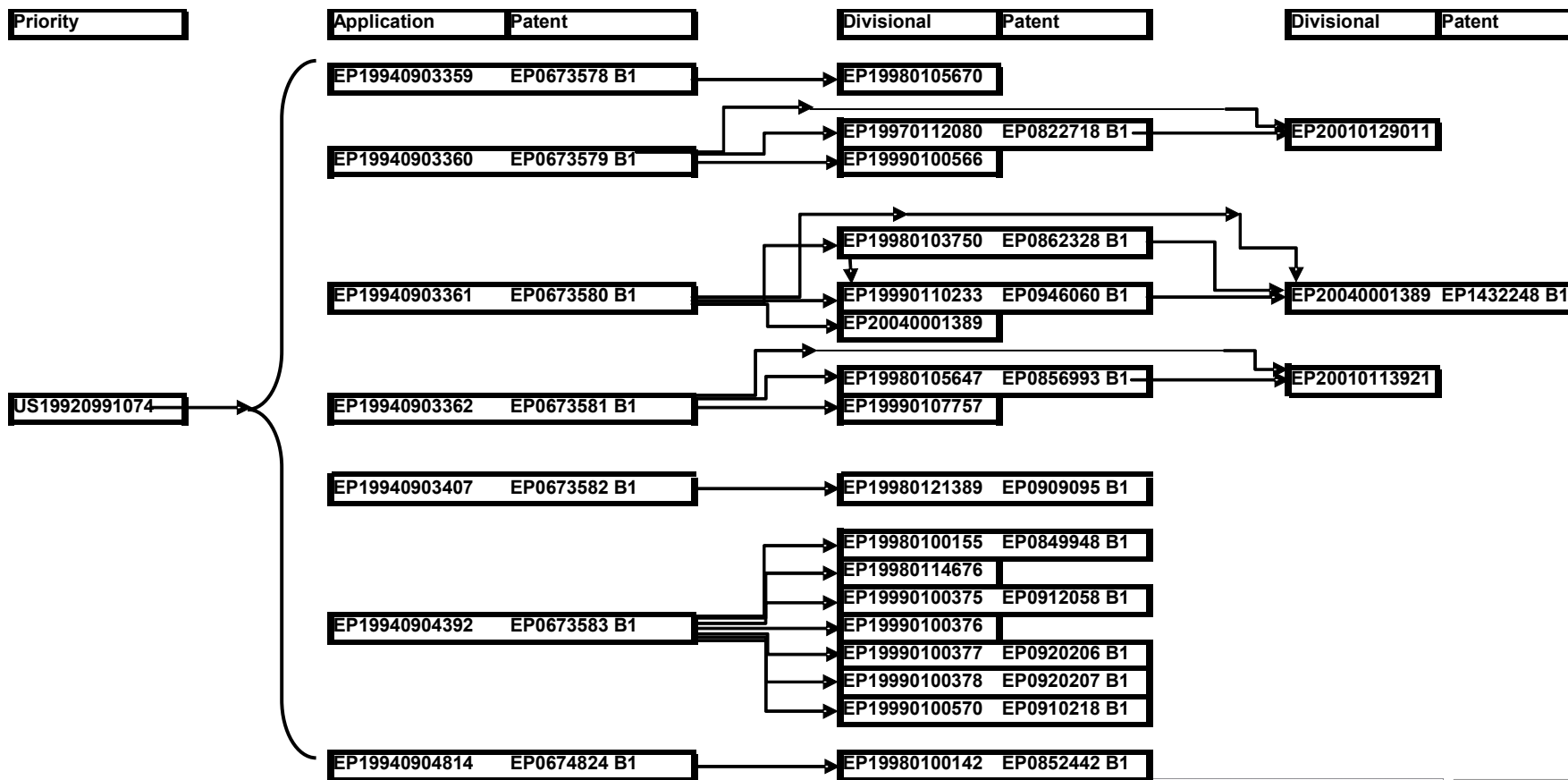
Troubling Developments

Claim Flooding

- Based on the 7 WO/PCT filings, the applicant has filed more than 50 U.S. applications
- Claims were typically amended to a much lower number (about 100 for each of the applications) – note: the USPTO charges claims fees.
- In the case of publication number US2005/0182468, the applicant was initially requested to pay further fees in the order of 1.3 million US\$ (and reduced the number of claims to from 13,305 to fewer than 70).
- The amount reflects fees for 9,999 claims. The respective application originally contained 13,305 claims. 😊

Troubling Developments

Patent Flooding and Portfolio Approaches



Troubling Developments

Patent Flooding and Portfolio Approaches

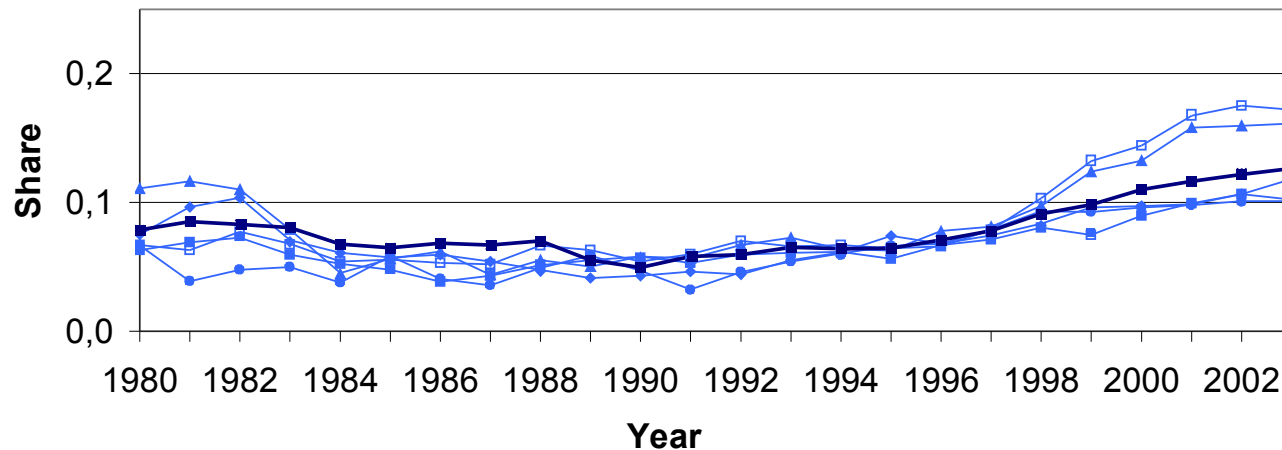
- Priority application US19920991074 (cable set-top box, 91 claims, 183 pages description) was used to file 7 (very similar) EPO applications.
- An additional 16 divisionals were filed based on the first 7 applications.
- Another 3 (second generation) divisionals were filed on the basis of the first round of divisionals.
- Summing up – 26 applications of which (to date) 18 were granted.
- Exceptional?

Troubling Developments

Patent Flooding and Portfolio Approaches

Maybe not that exceptional ...

Applications with shared priorities in Electronics



- Electrical devices, - Engineering
- Telecommunications
- Semiconductors
- ◆ Audiovisual technology
- ▲ Information technology
- Average

Suggested Remedies*

- Raise hurdles, sharpen standards (inventive step, novelty)
- Improve prior art searches (e.g., third party involvement)
- Give examiners stronger rights and incentives to reject applications (e.g., Friebel et al. study)
- Give applicants weaker incentives to build portfolios (e.g., fee schedules)
- Strengthen opposition and post-grant review proceedings (e.g., allow multiple attacks, introduce ombudsman, ...).
- Given the EPO stronger incentives to monitor, improve and report on quality developments.
- Do not lower patenting costs without fixing the problems first.

Suggested Remedies

Politicians (and others) should stop talking about patents as if there were equivalent to innovation.

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Summary

“The best way to prevent abuse is to ensure that **trivial** inventions do not receive patents.”

in: Nordhaus, William D. (1972). The Optimum Life of a Patent: Reply, American Economic Review, Vol. 62, S. 428–431.

Trends in IPR Systems

Patents

“(...) and every year my CEO says, “Go get more [patents],” to the point where my **patent filing budget and prosecution budget is now more than half the size of our Corporate Research Lab’s budget**. That, to me, seems to be out of kilter. And by the way, that **does not include litigation – that is a separate budget which is also roughly the same.**”

David Simon, *Intel Corp*, Transcript of the Patent Reform Symposium, *Berkeley Technology Law Journal*, Vol. 19 (3), S. 1132.

Trends in IPR Systems

Patents

„(...) But in my experience at Cisco and my prior experience representing a variety of companies, the **negative effects of stockpiling patents, the consequences of innocent infringement through independent development, the cost of proving noninfringement or invalidity through patent litigation and the exploitation of the patent system as a revenue generating tool in its own right** have hindered true innovation and outweighed the benefits.“

Robert Barr, *Cisco Corp.*, Statement made during the FTC Hearings, cf. www.ftc.gov/opp/intellect/barrrobert.doc (last visit on 9. 5. 2005).

Thank you