

December 7, 2006

1. On Patent Review in US vs. Japan

The PTO is now in the process of seeking to hire literally *thousands* of new Examiners that cannot possibly be shoe-horned into the already Taj Mahal-like edifice at the Carlyle, forcing it to look to create a cottage industry of examiners spread everywhere around the United States with the proviso that they periodically make brief returns to Alexandria.

The Japan Model: A possibly better model is Japan where the Japan Patent Office (JPO) has done a far better job in patent quality control and efficient processing of its applications through a combination of factors, *inter alia*, a very tough post-grant review system that provides a disincentive to gain marginal patents coupled with a default deferred examination unless there is a special request for early examination.

29 % Tokyo Allowance Rate: While empiricists quibble over whether the U.S. allowance rate is somewhere near 70 % or even higher than 90 %, it is clear that in any event the American system with its wide variety of quality and training and other factors is letting out far, far too many patents of questionable merit. Japan, to the contrary, provides the lowest allowance rate of any of the three major patent granting authorities in the world. As seen from the attached statistics released by the JPO, the allowance rate for 2005 is a mere 29 %, a figure that has remained constant for several years.

Two Administrative Reforms the PTO Should Initiate *Immediately*: The PTO *can* do much on its own through administrative reforms to take advantage of the benefits shown by the Japanese success:

First, the PTO can and should take up for examination *all cases in turn based upon the filing date* (absent a special request by the applicant for expedited examination), and publish in the *Official Gazette* (or on line equivalent) the date at which cases will be taken up for action. (In this way, there should be no mad rush to get an IDS and other information to the PTO before an arbitrary and very early date, permitting applicants time to consider prior art information that is evolving from parallel prosecutions and other sources. The deadline for any IDS or other pre-examination filing should be the date published in the *Official Gazette*.) If there is, say, a 3.5 year backlog, this will then give applicants 3;5 years to defer examination.

Second, the PTO should (a) abandon its unnecessarily narrow 1980 interpretation of the statute for *ex parte* reexamination and permit routine, expedited third party participation that is nowhere excluded by the statute which will not delay prosecution in an era of electronic Office Actions and Amendments; (b) assign the very best lawyers possible to deal with all reexaminations, possibly hiring outside senior litigators seeking

to wind down their practice; and (c) above all, establish extremely tight deadlines to meet the "special dispatch" requirement of the statute (a goal that an experienced litigator would know how to enforce).

Statutory Reform – Focus on the Key Issue, the Post-Grant "Second Window": Manifestly, the single most pressing need for patent reform that dwarfs everything else is establishment of an efficient, tight *inter partes* post-grant review under a "second window" system to permit a challenge at any time in the life of the patent.

Unless and until this reform takes place the patent community is whistling in the dark about patent reform. To the extent that *other* legislative reforms are being considered *in addition* to such an efficient, tight *inter partes* post-grant review under an "open window" system, this diffuses attention from the principal issue that *must* be resolved if the nation's business community is to regain faith in the patent system. Japan, too, grants bad patents from time to time, but there is hardly any stir in the business community: An aggrieved party simply chooses to take an administrative patent revocation directly to the JPO's Board of Appeals under the law effective January 1, 2004 *or* seek a declaration of invalidity from the hard-ball and patent-wise Tokyo District Court – *or both*.

The two step process described above - to deal with the United States patent system reform keyed to a successful Japanese model pointed out that Japan now has a 29 % allowance rate, as opposed to a far higher rate in the United States. Inherent is the assumption that there are low quality U.S. patents that should be culled out through a post-grant review process that are passing muster in the United States but not Japan.

This has created controversy, with one view being that there is no demonstrated problem to be solved. Thus, one thoughtful correspondent said that he "think[s] it is irresponsible [that the writer] as a respected commentator on patent issues [should] unilaterally declare that 'it is clear that in any event the American system with its wide variety of quality and training and other factors is letting out far, far too many patents of questionable merit.' Where is the data to support this statement? Or do you believe that a perception that the PTO grants junk patents is enough of a mandate for reform?"

It was also pointed out that the report "ignores the key differences between the US and other countries like Japan that may in fact contribute to a higher degree of inventiveness in society. I don't think the cultural differences are determinative (e.g., that the typical Japanese invention is incremental in nature and the American invention is a eureka; that the Japanese produce many small invention to flood competitors) but I do think broad generalization like yours are bad. Do we have too many patents in certain areas? Business methods, software, and tax preparation are controversial subject matter areas. Should we look at those specifically before attacking the gross output of the PTO as evidence of a junk patent pandemic?"

The writer's basis for the Conclusion that there *is* a problem: The writer's basis includes a two year study as Chairman of a special AIPLA committee in the mid-1990's that ultimately recommended a post-grant review system to that body. More recently, the writer closely followed the Japanese legislative process that scrapped a time window-based opposition system in favor of a streamlined "open window" post-grant review system that came into force January 1, 2004.

Numerous cases over the past thirty years have cried out for a post-grant review system, long before the issue of business methods, software and tax preparation cases came to the fore.

Junk Patents are not a problem: "Junk" patents to swingset methods, pumpkin bags and other such trivial inventions are *not* a problem as they do not block commerce and industry: It is the pool of relatively few but commercially important patents of questionable validity that *is* the problem.

Differences in the manner of making inventions in Japan and the United States: The great bulk of the pool of important patents in both Japan and the United States is essentially identical: There are counterparts for most important patents so that it is the same patent pool that is under consideration in both countries with some by American inventors, some by Japanese inventors and others from other national origins.

That Japan has only a [29 % allowance rate](#) for this common pool manifests a more stringent examination process: There can be no other conclusion.

2. On the Gowers Review:

Earlier today the "Gowers Review", discussed in this blog was noted relative to, *inter alia*, the research exemption. The Review *sub silentio* takes advantage of the monumental study, Trevor Cook, [A European Perspective as the Extent to which Experimental Use, and Certain Other, Defences to Patent Infringement, apply to Differing Types of Research](#) (Intellectual Property Institute, March 2006, 181 pp).

Of particular interest in the Cook study are the numerous comparative references to American patent law including a discussion of the American case law leading up to *Merck v. Integra*, § 7.5, *Proposals, post Madey v. Duke in the CAFC and pre Merck v Integra in the Supreme Court to introduce an experimental use defence in the United States*, pp. 117-125, which particularly cites to and quotes with approval from Professor Janice Mueller, *id.* at 122-23. Also of particular interest is the detailed discussion of "research tool" patents, § 9.4, *Do "research tools" as such merit special consideration in the context of the experimental use defence?*, pp. 155-158.

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