Questions for the Record of Senator Patrick Leahy
Chair, Intellectual Property Subcommittee
Hearing on: "Protecting Real Innovations by Improving Patent Quality"
June 22, 2021

Questions for Mr. Julio Garceran

1. You mentioned that you would like to see more examination done to ensure, before a patent issues, that it complies with the requirements of 35 U.S.C. § 112 such as enablement and written description.

    a. **Would it help for the PTO to have an automated program that flags any terms—words or phrases—that appear in an applicant's claims and do not appear in the applicant's specification?**

    Such a program could be helpful to flag potential section 112 issues for the examiner. The examiner could then require claims terms that were actually used in the specification, or if the term is not in the specification but is subject matter supported by the specification, then the examiner should require an express definition for the claim term.

    b. **Would it improve examination if an automated program were to flag for examiners the rejections that have been issued against similar claims by other countries' patent offices?**

    That could be helpful by highlighting rejections somewhat analogous to section 112. I think that such a tool would be more helpful with regard to assisting in prior art searching.

2. In the hearing, we heard that perhaps bad-faith patent assertions are on the decline, as there have not been very many suits under state laws that authorize suits against those who assert their patents in bad faith.

    a. **Do you have any experiences with North Carolina's state law in which there was no litigation but the law was nevertheless beneficially used?**

    Yes, I have experience with using the North Carolina Abusive Patent Assertions Act beneficially without litigation. In those experiences, I provided specific reasons why the patents at issue were invalid and/or not infringed and threatened to bring suit against them under the Act if they were to actually file a patent litigation suit against my company. I also threatened the patent owners with seeking an award of costs and fees under 35 U.S.C section 285 and sanctions under FRCP 11 should they proceed with the patent litigation. The entities did not pursue patent litigation. In at least one instance, patent litigation was filed and subsequently dropped by the patent owner after I provided them with similar warnings.

Senator Tillis Questions for the Record – Protecting Real Innovations by Improving Patent Quality

Mr. Julio Garceran

1. How would you define or describe a low quality patent?

   To me, a low quality patent can suffer from a multitude of defects. I will summarize three types of low-quality patents that I have encountered: 1) a patent in which the scope of the claim language is not supported by the patent specification, thereby providing a monopoly to the patentee of an undeserved claim scope because the claim scope encompasses technical subject matter disconnected from the specification; 2) a patent in which the claim scope has not been clearly defined relative to the prior art (In my experience, depending on the characteristics of the target product, the patentee for low quality patents will mold the definition of the claim terms to fit the product instead of having a clear meaning on the front end; and/or 3) a patent where the examiner has not performed an adequate prior art search.

2. What are the biggest problems that you see posed by low quality patents? When in the hands of non-practicing entities, such as patent assertion entities and universities (which typically have already been compensated for their research), that do not have to deal with the realities of selling products and competing in the marketplace, low quality patents tend to hamper innovation and competition. Patent litigation costs millions of dollars, and those costs typically disproportionately fall on the operating companies defending the patent lawsuits rather than the non-practicing entities in the litigation. The high costs of invalidating or obtaining a finding of non-infringement costs the same whether it is a low quality patent or a high quality patent. Operating companies are encumbered with those high costs of litigation that are better allocated to producing innovative products. The high cost of patent litigation can even force the operating company to license the low quality patents, not out of real need but just to avoid the cost of litigation. The license adds no value to the operating company except to avoid the cost of patent litigation but still burdens the operating company with extra costs.

   An operating company producing products in the marketplace is less likely to put their own products at risk and spend millions of dollars in patent litigation fees by asserting low quality patents against operating company competitors. But, non-practicing entities with much less downside may be willing to take the risk, hire a law firm on contingency to lower their downside even further, and take a shot at patent litigation. The operating company may decide it is not worth the cost or uncertainty of patent litigation and license the low quality patent.

3. What initiatives in this area have been particularly successful, in your perspective?

   In general, the USPTO's focus on trying to improve patent quality is encouraging, but I am not aware of any particular initiative that has been highly successful in solving the problem. The IPR process has done a good job of invalidating low quality patents, but the IPR process should not undermine the rights of the owners of legitimate patents.

   Significantly, I must stress my concerns that efforts to improve patent quality could go too far to weaken the patent system because those efforts are being pushed by influential companies that do not rely on patents to protect their innovations. Many innovative operating companies rely on patents to protect the innovations incorporated in their products, where the innovations can be readily discovered by reverse engineering the product and copied by competitors. We need to maintain a strong patent system to protect the innovations of such operating companies.

Certain changes to patent law may help and have helped to some degree in disincentivizing owners of low quality patents from bringing very expensive patent litigation.

First, damages reform regarding the smallest saleable unit and apportionment have done a better job of attributing the damages awarded in patent litigation to the actual scope of the patent. It may be worth considering adjusting patent damages law to take into account whether and to what extent the patent owner actually produces relevant products in the marketplace.

Second, courts have been more willing recently to award costs and fees for defending against a low quality patent that is invalidated or found to not be infringed. Such cases generally need to be found "exceptional." Courts need to be more willing to grant such awards or partial awards. The consistent award of such fees may deter the filing of patent litigation based on low quality patents. Such awards should be strongly considered where the accused infringer has shown specific grounds to the patentee for why the patent is invalid or not infringed, yet the patent owner proceeds with the patent litigation only to ultimately lose on those grounds.

Third, and possibly most significant, the courts should consistently entertain early summary judgement motions based on focused grounds of invalidity or non-infringement to help weed out low quality patents before huge sums of money are spent on patent litigation.

4. What is the USPTO doing right with respect to patent examination and patent quality, and in what areas would you recommend improvement?

   The USPTO has recognized the issue of low quality patents, and I believe that is half the battle. As with most things, resource allocation and training goes a long way.

   With regard to areas of improvement, in my experience, patent quality is somewhat examiner-dependent, and there should be a system to track examiner performance over time by keeping track of the statistics on which examiners are producing subsequently invalidated patents versus valid patents and the reasons why such patents were invalidated or found not to be infringed/not infringed. Those could be used as tools for training the broader examiner pool as well as particular examiners.

   Additionally, I feel that examiners should focus more on using section 112 grounds of indefiniteness, written description and enablement to produce higher quality patents on the front end. With regard to indefiniteness, requiring patent applicants to define terms, especially those terms that are being used to distinguish the prior art. Often, patent applicants do not explain why a claim term distinguishes over the prior art and simply regurgitate the claim language. This could be an opportunity to require a more definite definition of a claim term. Additionally, in terms of written description, the claim scope should be more clearly linked to the invention possessed by the inventor. The patent claims should absolutely not be limited to the embodiments described in the specification, but there needs to be express support for the broadly claimed invention and where those boundaries lie.

5. How can the USPTO improve collaboration on prior art searching—both domestically (e.g. between USPTO and the FDA) and internationally (e.g. among the IP5)?

   I do not have experience with the FDA, so I will not weigh in there. With regard to collaboration with different patent offices, it may be relatively easy to establish a database

where examiners are informed of foreign counterparts to patent applications that they are examining and the search results for each of the foreign counterparts. The patent examiners could use that database as a starting point or supplement for their own prior art searching. Such capability may already be available, but the use of such a database system should not be hard to implement and could actually make the searching task more efficient and more qualitative. The database could also include links to the responsible examiners in case communications between the examiners is desired.

6. Are there any particular data points or metrics that could help prioritize discussions about improving patent quality? What agencies or other organizations could contribute to collecting such data?

   In my response to question 3, I mention gathering statistics on patent invalidity/validity and non-infringement/infringement findings for patents in litigation/PTAB that include the particular examiners and grounds for the findings of the patents that they examined. Accordingly, there should be increased communication between the USPTO and the federal judiciary exchanging such information relative to the outcomes of patent litigation such that the USPTO can gather such statistics. From those statistics, the USPTO can provide the feedback to the examiner population in general and individually to influence examiner behaviors. The Judiciary and USPTO can also exchange feedback on how to improve patent quality and how the problems associated with low quality patents that invariably will still end up in litigation can be alleviated by the USPTO on the front end and by the Judiciary on the back end.

7. In the hearing, you mentioned that 112 rejections are considered non-substantive and suggested they should be given greater priority during prosecution. Could you please elaborate?

   In my experience, section 112 rejections that come up during prosecution are usually indefiniteness rejections that are easily cured by simply pointing to some support in the specification or some minor word changes made to the claims. I rarely see any section 112 written description or enablement rejections. Examiners should use section 112 rejections in conjunction with their prior art rejections to make sure patent applicants are specifying the meaning of claim terms by either citing a definition in the specification or providing one, especially when the claim term is important in distinguishing the prior art. That way, the boundaries of the claim are clear. With regard to written description or enablement, the examiner should look for disconnects between the scope of the claims and the teachings of the specification and make the patent applicant correct the disconnect. This can be done by requiring the patent applicant to define the proper breadth of the invention in general terms and in terms of what the specification reasonably enables as far as claim scope.

8. Over the past several years, some stakeholders have consistently expressed concerns about the number of patents being issued that don't appear to satisfy the enablement and written description requirements found in Section 112. These stakeholders claim that Section 112 has not been correctly interpreted or appropriately applied by the USPTO or the courts and that this has resulted in the issuance of many vague and overly-broad patents of questionable validity. What is your view regarding whether the USPTO adequately enforces Section 112 to ensure that issued patents comply with the enablement and written description

requirements?

I believe that the USPTO should make 112 rejections more of a priority, including indefiniteness, written description and enablement rejections. Please see my responses to question 1, 4 and 7.

9. Do you think current examination practice is effective in deterring so-called "functional claiming," which is the inappropriate practice of describing only the desired result in a patent without disclosing the particular means of producing that result as required by Section 112?

   I believe any issue with "functional claiming" gets alleviated, so long as the claim is novel and non-obvious, if proper deference is given to section 112 as discussed above.

10. Are there any changes to Section 112 that should be made by Congress to clarify its meaning or to ensure it is given its intended effect?

    I think the current state of section 112 jurisprudence could be codified with maybe some clarification, but to me, the issue is the actual enforcement of section 112 in the USPTO as it currently stands. If you think that legislative codification of section 112 will lead to more of a focus on enforcing section 112 at the USPTO, then I agree.

11. What are your thoughts about creating a "gold plated" patent, where applicants would have the option of paying for a more thorough examination of their inventions that would merit a presumption of validity (a "gold plated"), or allowing less economically significant patents to receive a separate patent?

    Personally, I do not agree with a "gold plated" patent. I think we should improve the process for all patents. If we don't fix the quality issue with all patents, then the problem with low quality patents remains. If we create a new category of "gold plated" patent, is the result that regular patents become lower quality?