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Before the

Senate Committee on the Judiciary, Subcommittee on Intellectual Property

On

“Promoting the Useful Arts: How can Congress Prevent the Issuance of Poor Quality Patents”

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Mr. Chairman and members of the committee: thank you for the opportunity to testify before you today. My name is Polk Wagner and I am a professor of law at the University of Pennsylvania Law School. I hold undergraduate degrees in physics and engineering in addition to my J.D., and have spend the past 20 years researching, writing, and teaching about patent law, including several projects touching upon the issue before you today — patent quality.

In my remarks today, I’d like to offer three suggestions as you consider the topic of this hearing.

I. Consider Carefully the Meaning and Context of Patent Quality

First, it is critically important to understand and carefully define what we mean by *patent quality* and the project of working to *increase patent quality*. Unfortunately, the phrase “poor quality patents,” is too often deployed as a shorthand for “patents I don’t like” or “patents that might be used against me” rather than as a useful description of a specific systemic problem.

Essentially all observers of the patent system would agree that we want to build a system in which granted patents meet the statutory definitions of patentability. This, however, offers little in the way of guidance about how one might go about creating such a system — or whether such an approach might in fact be undesirable. All too often, I find that advocates of “patent quality” simply describe reforms that simply involve issuing far fewer patents — or issuing fewer or no patents in particular areas of technology or industry. This, I think, is a mistake.

One of the things I am concerned about with respect to any patent quality reform is avoiding measures which swing the pendulum of patentability too far in favor of large, established firms over small inventors, startup firms, and universities. Or proposals that may well seem attractive in a particular segment of industry but have unintended consequences when applied across the vast array of technologies that the patent system is designed to cover.

To put it another way: there are answers to the question of how we can prevent the issuance of poor-quality patents that are likely to be *both* extremely effective and also profoundly counterproductive. To give an extreme example, simply raising the standards for patentability so substantially as to prevent the issuance of all but a tiny handful of the most earth-shattering inventions would unquestionably raise the quality of granted patents but would in my view fatally undermine the patent system's role in driving innovation forward. More simply, the USPTO could establish much higher fees that precluded all but the most solid big-ticket ideas from being considered for patenting. But again, this so-called victory for patent quality would be illusory, as thousands of promising inventions would fail to gain the fuel needed to reach the marketplace and benefit society.

In fact, some of my past research has shown that the seemingly simple change — at least to a casual observer — from a first-to-invent to a first-to-file system may well have resulted in a significant drop in the share of patents issued to individual inventors and small startups.¹

One lesson here, I think, is to tread quite carefully when seeking to improve patent quality. The small firms and individuals who desperately need the patent system to bridge the gap between great idea and successful technology can be (and often are) disproportionately impacted by reforms that are of little consequence for large companies.

Similarly, I think it is important to understand the limits of legislation. Determining whether an invention is patentable is an enormously difficult technical challenge—involving ascertaining the scope of the invention, finding and analyzing the appropriate prior art materials, and assessing how the legal standards apply to the particular situation. And to be effective, this needs to be done at truly enormous scale — some 600,000 to 700,000 times per year in the US — and at a highly reasonable cost. This is not easy. And indeed my research shows that we should be skeptical of claims that we can spend our way to a patent quality utopia; in a comparative study with the Japanese patent system, which has a much higher ratio of examiners to applications and a longer tenured examiner corps than the USPTO, there appeared to be little difference in either the real or perceived problems with patent quality.²

Finding ways to improve patent quality at scale, with efficiency, and without undermining the overall utility of the patent system is no easy task. There are no silver bullets.

II. Recognize the Importance of Incentives

When then, can Congress do to prevent the issuance of low-quality patents? In my view, the entire patent system must do a much better job of harnessing the incentives at work to encourage patenting behavior that will yield higher quality patents. Unfortunately, over time, a combination of the structure of the patent system and the caselaw has yielded a set of incentives that push patent applicants in exactly the wrong direction from a patent quality perspective. Patent documents are

¹ See David Abrams & R. Polk Wagner, *Poisoning the Next Apple? The America Invents Act and Individual Inventors*, 65 STAN. L. REV. 517 (2013).

² See R. Polk Wagner, *Understanding Patent Quality Mechanisms*, 157 U. PA. L. REV. 2135 (2009).

written to provide a bare minimum of useful comparative information, for fear a stray phrase in the specification will unexpectedly limit (or broaden) the scope of a claim.³ Applicants often resist straightforward claim amendments, fails to adequately explain the rationale behind any amendments they do make, and resort to complex, time-consuming, and confusing procedural gambits such as continuing applications which can serve to obscure the true intent of claim adjustments.⁴ The result is that patents— both the patent document itself and the prosecution history — become in essence intentionally unhelpful in their key purpose of providing notice to the public about what a patent actually does and does not cover.

Congress could fix this. Claims could be required to be interpreted according to the ordinary meaning of the language of the claims rather than unpredictable inferences drawn from the specification. Similarly, claim amendments could have a clear effect on claim scope based on their actual textual changes rather than on the perceived intent of the patentee.

Congress could also help the USPTO do more to elicit important information from patentees about their expectations for their inventions. The single entity in possession of the most (and most important) information concerning the invention—its relationship to the prior art, its value, and so forth—is the inventor herself. Patentees could be given a faster examination track if they provide a certain standard of prior art searching, include a glossary of key terms, or do any number of other socially beneficial behaviors. Patentees could be offered the opportunity to elect into more stringent examination processes in exchange for modest term extensions, faster patent issuance, or perhaps even a shorter window for secondary review processes. Again, the point here is not to press any particular reform, but to suggest that the best chance of successfully creating a world of higher quality patents is by creating the conditions in which it is clearly in a patentee's interest to invest in patent quality.

III. Improve Claim Construction

Finally, if there were to be one area of the committee's focus on how to prevent the issue of low-quality patents, I would strongly urge further development of proposals defining how claim language is to be interpreted.

It is not possible to overstate the importance of claim construction to the soundness of the patent system, especially including patent quality. Unless and until all persons involved—the patentee, the examiners, the courts, and the competitors or the public—have a framework for agreement concerning the scope of a patent claim, there is almost no point in trying to do anything else. This committee could fund the USPTO to its wildest dreams and yet if the USPTO examiners continue to use a different claim construction approach than the courts, much of the benefits would be lost. Similarly, until the Federal Circuit's deeply unfortunate opinion in *Phillips v AHW* is overturned—either by themselves or abrogated by congressional action—patent litigation over

³ See, e.g., *Phillips v. AWH Corp.*, 415 F.3d 1303, (Fed. Cir. 2005) (*en banc*) (establishing a specification-focused claim construction inquiry).

⁴ See, e.g., R. Polk Wagner, *Reconsidering Estoppel: Patent Administration and the Failure of Festo*, 151 U. PA L. REV. 159 (2002)

both validity and infringement will continue to threaten to be little more an expensive exercise in dice rolling.

There has been much written about how claim construction might be improved and there are many fairly modest legislative changes that could make a big difference. Patentees could be required to provide a glossary of key terms. Patent examiners could provide a real definition of claims as part of the reasons for allowance. Congress could mandate how the courts were to interpret claims—here I note approvingly the important step forward taken in the proposed STRONGER patents act, by defining the appropriate methodology for claim construction in IPR and PGR proceedings. I would suggest that the committee not stop there and consider further actions to stabilize the meaning and scope of patent claims from their initial drafting to the expiration of the patent’s term. In my view, these reforms will go much further towards creating a patent system we can be proud of than any other of the proposed changes on the table.

Thank you again for the opportunity to testify today.

My papers can be found at: <https://ssrn.com/author=26248>