

Post-Grant Patent Review

Conference on Patent Reform
Berkeley Center for Law and Technology
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Overview

- Heterogeneity
- More patents not necessarily better
- Problem and reasons for it
- Evidence?
- Post-grant review: benefits and costs

The problem – brief review

- ☼ Rapid growth in patent applications leading to
 - Large increase in patent office workload
 - Higher grant rates?
- ☼ Increase in patent litigation
- ☼ Consensus that the average standard being applied during the past decade is too low, especially in newer technology areas
 - Long list of legal, economic, policy scholars and practitioners.....

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Possible causes

- ☼ overburdened patent office
- ☼ lack of expertise in the relevant areas
- ☼ lack of prior art databases
- ☼ weakening of the non-obviousness test, partly through court decisions
- ☼ Some of these problems already addressed by USPTO
 - Hiring changes (computer scientists)
 - Second exam for 705 patents
 - Increased prior art availability; better searching methods
 - Etc....

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More is not necessarily better

- ✿ Trivial patents confer market power without consumer benefit
- ✿ Slows advance in cumulative technologies
 - increases level of fragmentation of rights
- ✿ Some areas of research avoided by small and new firms (Lerner 1995)
- ✿ More patents => more litigation
 - Investment in innovation and commercialization slowed by uncertainty over patent validity
- ✿ Clogs the process at the USPTO, especially as others increase patenting in response

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Evidence?

- ✿ Compare grant rates at the EPO for applications with US and non-US priority dates
 - Difference in grant rates has risen from 0% to about 16% during the past 20 years
 - Yet...US priority patents should be of "higher" quality (value)
 - Suggests a decline in the standard of US applications
- ✿ Compare grant rates for US priority patent equivalents at EPO and USPTO (OECD study)
 - Difference in grant rates at USPTO versus EPO has grown from 12% to 30% during the past 20 years
 - Suggests a decline in the standard of patentability

Source: OECD and Harhoff calculations

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Post-grant patent reviews – expected benefits

- ✿ Who is most likely to be able to demonstrate obviousness using non-published prior art?
 - Competitors who are familiar with the area
- ✿ Fast feedback to current patent examination
- ✿ Second pair of eyes improves quality; PTO spends more time on valuable patents
- ✿ Revoked patents cannot cause litigation => large welfare gains (Graham et al. 2004)
- ✿ Dampening effect on aggressive patent portfolio strategies

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Post-grant patent reviews – expected drawbacks

- ✿ Too costly?
 - additional financial burden for patent holders
- ✿ Too lengthy?
 - delays enforcement of patent rights (but so does litigation)
 - general delay of uncertainty resolution?
- ✿ Is the USPTO capable of running such a process?
 - Not without additional resources
- ✿ Independent inventors and small entities may be disadvantaged in such a process
 - But no evidence that they are more subject to either US re-exam or European opposition
 - Process costs less than litigation and should be faster

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Backup slides follow

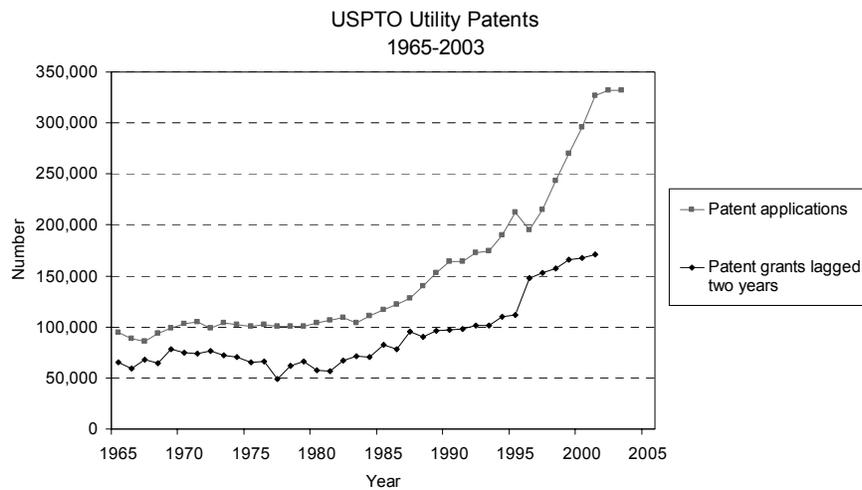
- Aggregate US patent applications and grants 1965-2003
- Further data on grant differences at EPO between US priority and non-US priority

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The problem?

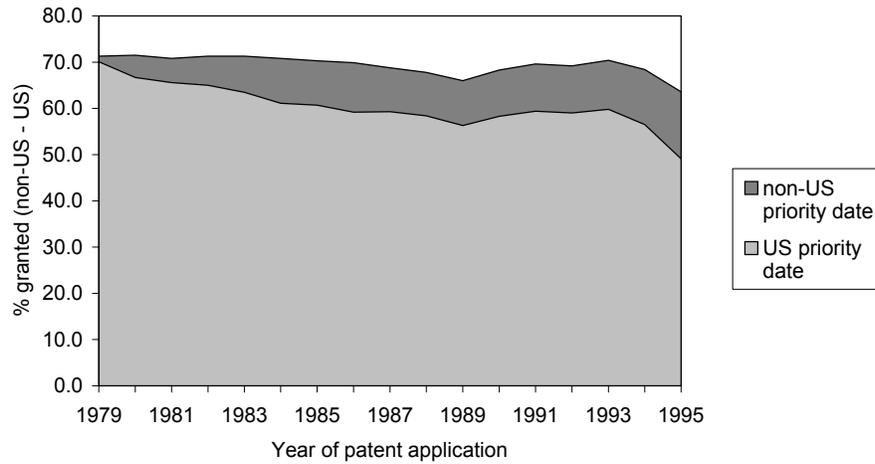


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**Difference in Grant Probabilities at the EPO
for US and non-US Priority Patents
All Technologies**



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A look at the European experience

Outcomes of EPO examination – by technical field

Technical Field	Non-US Grant Rate*	US Grant Rate**	Difference
Electrical	69.7%	57.8%	11.9%
Instruments	67.0%	60.1%	6.9%
Chemicals	68.4%	56.7%	11.7%
Processes	68.4%	61.7%	6.7%
Mechanical	70.4%	61.7%	8.7%
Construction	62.9%	51.6%	11.3%
All Fields	68.3%	58.4%	9.9%

Application years 1990 and earlier. Grants include grants after appeal.

* Grant rate for EPO applications with non-US priority

** Grant rate for EPO applications with US priority

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