

Comment on Henkel, J. and F. Jell "Alternative motives to file for patents: profiting from pendency and publication

Report

Author(s):

Mayr, Stefan

Publication date:

2009

Permanent link:

<https://doi.org/10.3929/ethz-a-007300615>

Rights / license:

[In Copyright - Non-Commercial Use Permitted](#)

Workshop & Lecture Series on the Law & Economics of Intellectual Property
ETH Zurich / University of Zurich: Fall 2009

Comment

on

Henkel, J. and F. Jell.

ALTERNATIVE MOTIVES TO FILE FOR PATENTS:
PROFITING FROM PENDENCY AND PUBLICATION.

Working Paper; April 2009.

Technische Universität München

and

Center for Economic Policy Research (CEPR), London.

written by

Stefan Mayr

November 2009

Introduction

This publication focuses on the effects of pendency and publication of patent applications on the profit of companies and individual inventors. After a series of interviews with 25 inventors and analyses of about 444,000 applications filed at the German Patent and Trademark Office (GPTO), the authors show that about one fifth of the applications are pending for seven years until withdrawal or start of the examination phase. For individual applicants, these facts suggest a benefit due to gain of time for generic technologies playing a strategic role, whereas corporate applicants rather aim at causing insecurity for competitors.

Furthermore, in the context of freedom to operate (FTO) as motive for patenting, this study indicates that more than 2 % of patent applications filed first at the GPTO could serve as pure defensive publications (DP), while the corresponding number of applications not primarily submitted for the purpose of DP is considered to be much higher. As “freedom to operate” and “defensive publication” belong to the keywords most often cited in this article, several aspects of these IP terms will be discussed in the following paragraphs.

Freedom To Operate

Having “freedom to operate” (FTO) means for a person or a company to ensure that the commercial production, marketing and use of a new product, process or service does not infringe an IP right owned by others and being in force within a given territory. An “opinion” on FTO is often provided by private law or IP firms as part of their legal services, and some national IP offices – for example the Swiss Federal Institute for Intellectual Property or the UK Intellectual Property Office – offer such services for a fee, however, excluding professional advice. It has to be emphasized that a FTO opinion never guarantees any legal protection from the IP rights owner detected in the written statement. A company being aware of FTO in its commercial field might easier take important decisions concerning investment in R&D, and successful fundraising often depends on demonstrating FTO. Knowledge of potentially conflicting IP rights owned by third parties, however, might enable an enterprise to change its R&D plans in time to circumvent infringement and/or to seek authorisation (e. g. by licensing) from the IP rights owner (Moore, 2009: 40-41).

Assuming that a blocking patent still in force has been identified during the FTO analysis, there are several options for the company concerned (IP and Business, 2005: 15):

- ◆ Purchasing the patent or licensing in.
 - potential loss of autonomy
 - simplest way to clear the ground
- ◆ Cross-licensing.
 - well-protected patent portfolio of considerable value needed
- ◆ Inventing around.
 - changing the infringing product or process
 - avoiding licensing fees
- ◆ Patent pools.
 - creating a clearinghouse for patent rights by two or more companies

While it is impossible to guarantee FTO absolutely, some ways of minimizing the risks are known which contribute to protect a company's economic basis. In contrast to an infringement opinion usually relating to patents known by the inventor, a FTO opinion is broader in scope and treats the potential for infringement by any patents of which the inventor has become aware or not. A professional IP attorney may perform four steps in preparing a FTO opinion for his/her client (Berliner, 2004: 1, 4):

- ◆ Understanding the client's technology.
- ◆ Conducting the clearance search.
- ◆ Screening the patents identified in the search.
- ◆ Drafting the FTO opinion.

B. A. Hurwitz (2003) distinguishes between three kinds of patent searches:

- ◆ Patentability searches with regard to prior art.
- ◆ FTO searches as basically infringement searches according to in-force patent claims.
- ◆ Validity searches in order to invalidate a patent currently in force.

With regard to the fact that the most frequent ground of rejection of patent applications is based on unpatentability due to prior art (Bar, 2006: 230), in this compilation searches for patentability deserve most attention.

In the U.S., only patent attorneys are qualified to offer legal FTO statements, whereas patent agents are only allowed to provide opinions directly affecting patent prosecution. Six major steps professional patent searchers should take regarding their key role in providing attorneys with relevant information can be described as follows (Wolff, 2008):

- ◆ Verification and re-verification of the scope.
- ◆ No missing of obvious reference.
- ◆ Carrying out the search in two independent parts.
- ◆ Thinking twice about rejecting a reference.
- ◆ Presenting the results in an appropriate way.
- ◆ Being prepared to defend the search results.

Several aspects of FTO, its relevance to fuel a company's business as well as necessary skills of patent information professionals are also discussed in the articles written by Stembridge (2009) and Burton (2009). For any enterprise involved in R&D activities, those responsible always have to keep in mind that a granted patent never automatically means FTO, since competitors sued for infringement might initiate an invalidation trial.

Defensive Publication

A defensive publication (DP) should be taken into consideration when the invention cannot be regarded as a suitable candidate for trade secret protection and when the costs of patenting are expected to outweigh the benefits (Barrett, 2002: 191).

According to J. K. Borchardt (2007), defensive publications within a company's goals are directed at:

- ◆ Preventing competitors' patents from issuing.
- ◆ Creating technology licensing and sales opportunities.

- ◆ Stopping or facilitating patent litigation.
- ◆ Protecting one's patent portfolio.
- ◆ Saving money (→ no application funds).

While filing own patent applications means an expensive strategy, primarily due to costs resulting from consultant fees, DPs may offer a cost effective way to narrow the scope of a competitor's patent claims or even to invalidate them completely. In this context, from the United States Patent and Trademark Office (USPTO) it is possible to request re-examination of an issued patent including citations of the DP. Defensive publications are especially useful to describe improvements of a company's core patent in order to avoid licensing to others and therefore preventing competitors from entering the marketplace. Under the U.S. patent law, DPs must be sufficiently accessible to the public interested in the described technology. Careful timing is very essential, since on the one hand competitors should be informed about another company's R&D strategy as late as possible, whilst on the other it is crucial to anticipate a competitor's own patent application in the same field. Several types of defensive publications are known (Borchardt, 2007; Caulder, 2001: 10):

- ◆ Research disclosures (RD).
 - rapid disclosure mechanism
 - the only journal included in the PCT Minimum Documentation
- ◆ Statutory invention registration (SIR).
 - relatively costly
 - offered by USPTO in case of insurmountable difficulties for issuing a patent
- ◆ Internet solutions.
 - documents considered to be printed publications¹
 - IP.com website: proper time stamping and notarization
 - RD Electronic
 - Disclosure: site on STN International electronic databases, providing full text and images of records from Research Disclosure

¹ within the meaning of 35 USC 102(a) and (b)

According to the article on “Defensive Publications in an R&D Race”, T. Bar (2006) shows that a strong patentability requirement may stimulate defensive publications, leading to contradicting welfare effects: information disclosure and free of market power *versus* less incentives for investment and less efficient duplication.

Concluding Remarks

This article provides some remarkable empirical research on the commercial value of pendency and publication of patent applications. Concerning this matter, the authors J. Henkel and F. Jell based their study *inter alia* on 25 interviews with inventors. Unfortunately, no patent attorneys usually much more skilled in all the procedural aspects of patent filing and prosecution and the related office actions have been involved.

As mentioned in several paragraphs of their working paper (cf. summary + chapters 1-3, 4, 6), defensive publications (DP) are regarded as way for firms to maintain or even secure freedom to operate (FTO). In most countries, however, a patent application is officially published 18 months after the filing date or after the convention priority date, whichever occurs first (Caulder, 2001: 10). Alternatively, the application could be released before the expiry of that period on request of the applicant^{2,3}, and the US patent rules even offer the possibility to file a nonpublication request under certain conditions⁴. In this case, patent applications can be kept confidential until grant, therefore creating significant uncertainty for competitors, which will possibly last for several years. With reference to these priority rights, defensive publications doubtlessly contribute to maximize FTO chances, but can never secure or even guarantee freedom to operate. This would presume to ignore completely potential earlier rights of a third party. Additionally, one has to pay particular attention to the patent gazettes of some national patent offices (e. g. in the UK), releasing bibliographic information of currently submitted patent applications already a few months after the filing date.

² cf. EPC (2007) Art. 93 (1) (b)

³ cf. USPTO Consolidated Patent Rules (2009) Sec. 1.219

⁴ cf. USPTO Consolidated Patent Rules (2009) Sec. 1.213

The first paragraph of chapter 1.3 lists three potential motives for filing patents, which could be supplemented by a further item going “ (4) claiming priority for subsequent PCT/EP applications without withdrawal of the first national filing”.

Within the framework of chapter 4, the obligations of an employer – under the German Law on Employee Invention – to apply for clearly defined industrial property rights should be mentioned.

Finally, the data analysis described in chapter 5 could be amended by utility models. These so-called “second tier rights” are available in some countries (e. g. Germany) and play an important role, because their application date can be claimed as priority date for foreign patent applications, and they offer a maximum protection term of ten years and – most important – a grace period of six months⁵.

References

Bar, T. Defensive Publications in an R&D Race. *Journal of Economics & Management Strategy* **2006**; 15.1: 229-254.

Barrett, B. Defensive use of publications in an intellectual property strategy. *Nature Biotechnology* **2002**; 20: 191-193.

Berliner, B. M. Preparing Patent Infringement and Freedom-to-Operate Opinions. *The Computer & Internet Lawyer* **2004**; 21.11: 1-10.

Borchardt, J. K. The Role of Defensive Publications in Intellectual Property Protection. *Lab Manager Magazine*[®] **2009**; 1-3.

Burton, C. A. and J. S. Bergmann. Using Intellectual Property to Fuel Your Business. *38th Great Lakes Regional Meeting of the American Chemical Society*, Chicago, IL, United States, May 13-16, **2009**.

Caulder, I. The pros and cons of disclosure. *Canadian Electronics* **2001**; 16.7: 10.

⁵ cf. Frequently asked questions – Patents, <https://www.ige.ch/en/patents/frequently-asked-questions.html>, accessed 08.11.2009

Hurwitz, B. A. Patentability, infringement, or validity: What kind of search? *225th ACS National Meeting*, New Orleans, LA, United States, March 23-27, **2003**.

IP and Business. Launching a New Product: Freedom to Operate. *WIPO Magazine* **2005**; September-October: 14-16.

Moore, M. M. Intellectual Property for Food Science and Technology. *Food Science & Technology* **2009**; 23.2: 40-42.

Stembridge, B. Education and certification of patent information professionals in Europe. *238th ACS National Meeting*, Washington, DC, United States, August 16-20, **2009**.

Wolff, T. E. Freedom-to-Operate Patent Searching. *Searcher* **2008**; 16.5: 34-39.