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Separating Marketing Innovation from Actual Invention: A Proposal for a New, Improved, Lighter and Better-tasting Form of Patent Protection

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SEPARATING MARKETING INNOVATION FROM ACTUAL INVENTION: A PROPOSAL FOR A NEW, IMPROVED, LIGHTER, AND BETTER-TASTING FORM OF PATENT PROTECTION

by
Ann Bartow*

This Article suggests that commercial entities sometimes obtain patents for reasons unrelated to securing profitable technological monopolies. Patents, especially those with narrow scopes that are easily designed around, may be obtained to disadvantage competitors or to make the patent holder appear innovative, rather than to fence off an invention for commercial exploitation. Patents obtained for nontraditional reasons—denoted "leverage" and "keeping up appearances" patents in this Article—may represent highly inefficient uses of both public and private resources. To solve some of these efficiency problems, the author proposes creating a second-tier "Origination Patent" option, which would offer patentees more secure patent protection for a shorter period of time.

I. INTRODUCTION

Traditional patent theory assumes that a patent is obtained because an entity desires to commercialize a product or process that embodies an invention, and a patent allows the entity a sphere of exclusivity in which to pursue this commercial endeavor. The invention will improve the good or process, and no industry competitor will be able to compete on equal ground because no one else can make or use the invention. The invention owner can charge a premium and use the monopoly profits that accrue to pay off the costs associated with developing the invention. The owner might also invest in additional research and development, which can lead to refinements of the original invention and other valuable innovations. Society has the benefit of the product or process embodying the invention, the invention owner makes a tidy profit, and everyone is happy.

Somewhat less traditional patent analysis concedes that, on occasion, entities obtain patents on inventions they have no intention of commercializing or licensing. Instead, these patents are used to indirectly obtain business advantages by fencing out, leveraging, or otherwise harassing competitors through "patent-and-sue" strategies. One

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Richard Korman, Lo! Here Come the Technology Patents. Lo! Here Come the Lawsuits, N.Y. TIMES, Dec. 27, 1998, at BU 4 ("Coolsavings' patent-and-sue strategy is aggressive but far from unique.

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How could they possibly enable monopoly hairbrush profits that were not attainable through effective marketing and efficient distribution?

Even the classic view of patent law acknowledges that the benefit conferred by a patent may not reflect the underlying value of the patented invention. Insignificant patents may propel products to great commercial successes, while more technologically worthy patents may fail to realize their profitability potentials. As one legal scholar noted:

Reward to the inventor... depends upon commercial success and the ability to restrict output by monopoly pricing. In other words, for an inventor to reap a reward, it is necessary that the invention be commercialized. Because of the finite term of a patent, those inventions that may be ahead of their time may not be rewarded commensuratively to their contribution to society, while those inventions that may be easily commercialized may be excessively rewarded considering the relatively trivial contribution made. 38

Inventions that "are market-induced by the competitive forces to stay ahead of competition with respect to subject matter within the investor's normal market area" tend to produce high benefits for an investor at relatively low cost. 39 Inventions that are developed only to obtain a patent and not for commercial exploitation are probably the least expensive. However, the size and quality of such a patent's benefit are enigmatic, though presumably linked to the purpose of the patent.

Hairbrush manufacturers may attempt to "scare off" competitors with patents. But if that were typically the case, one would expect to see a larger cultural awareness of emerging hairbrush technology than this author has observed. The trademark "Goody" seems to dominate the hairbrush market (and hair accessories in general) despite the fact that Goody products do not appear particularly innovative, nor do they typically carry patent notices. Of course, this does not necessarily mean they do not embody patented inventions. It is possible that patented hairbrush inventions are imbedded in products that are already the best, cheapest, most effective, most attractive, or fastest to market for other, non-patent-related reasons. If that is the case, one wonders why the inventor bothered obtaining a patent at all.

Finally, obtaining a patent on a hairbrush feature may simply be a marketing ploy intended to make a pedestrian personal grooming product seem more science-based and technologically sophisticated. This phenomenon certainly appears in other contexts. Advertisements touting so-called "health and beauty aides" commonly reference the extensive research that purportedly goes into development of the referenced products. Shampoo labels bear phrases such as "scientifically formulated" and "specifically engineered." Makeup and moisturizer salespeople wear white lab coats. Purveyors of creams and cleansers refer to themselves as "institutes." 40 Without definitively answering questions about why hairbrush patents are obtained, it is possible and even likely that

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39 *Id.* at 279.
40 For example, the putative research arm of the company producing Ponds-trademarked products is the Ponds Institute, and the Anushka Institute is a purveyor of products aimed at "treating" cellulite.
companies do not need traditional utility patents to capture and retain certain segments of the hairbrush market.\textsuperscript{41} Filing these patent applications must meet other needs.

II. ACKNOWLEDGING "LEVERAGE" AND "KEEPING UP APPEARANCES" PATENTS

At least partial explanations for the existence of (generally) low technology patents with narrow scopes and no discernible commercial value emerge from the "leverage" and "keeping up appearances" theories of patenting. Companies may attempt to obtain patents for a host of reasons unrelated to securing technological monopolies. Some patents are secured for purposeful competitive advantage disconnected from the specifics of an invention (the leverage theory), and are used to drive what some term "nuisance" patent suits,\textsuperscript{42} or to engage in "patent mapping" to "build a thicket of patents around a competitor's products."\textsuperscript{43} Procuring patents may allow entities to appear innovative, thus justifying high levels of research and development spending, and inflating the sizes of patent portfolios to affect stock prices or company valuations. One observer noted that: "In today's business environment, in which a company's market value is measured with increasing frequency by the intellectual property it owns, arsenals of patents - specious or not - make an unfortunate kind of sense."\textsuperscript{44}

Keeping up appearances" patents are likely to reflect low levels of innovation, therefore inflicting low social costs because the invention that is monopolized is not likely to be highly valuable or useful. They are, however, of dubious societal benefit because the innovations that are disclosed are unlikely to represent significant advancements in the pertinent useful arts. One commentator has observed that:

Intellectual goods acquire value by deviating from standard solutions to known human needs in ways that yield more efficient outcomes or that capture the public's fancy. Because intellectual goods define relevant market segments in terms of the novelty or the originality they purvey, their creators invent their own markets by stimulating demand for goods that did not previously exist.\textsuperscript{45}

Where inventions do not yield more efficient outcomes, it is imperative that they capture the public's fancy in order to stimulate demand for the goods (embodied patented inventions) that are not inherently desirable to consumers. Otherwise, the patent will be of no commercial benefit. Even where demand can be stimulated, to the extent the public's fancy is captured by the non-patented attributes of a product, commercially beneficial features can be copied freely by competitors. And yet, patents on minor,

\textsuperscript{41} See, e.g., Oddi, Supra note 38, at 278 (commenting that some inventions are induced by the market, rather than the patent system).


\textsuperscript{44} Caruso, supra note 2.

inefficient, commercially lackluster inventions are sought and obtained. This process uses the time and resources of the entities pursuing the patents, the United States Patent and Trademark Office (PTO), competitors (who must affirmatively act to avoid infringement), and, when controversies inevitably arise, the court system.

The burgeoning patent-affiliated impact on court resources alone is no small concern. The number of patent cases brought in the United States federal district courts increased throughout the 1990s at a much greater rate than civil case filings in general. The median cost to each party in a patent trial is $1.2 million, and complex trials can cost each side $6 million or more. Small and emerging businesses are affected disproportionately because they are less able to afford the costs associated with patent litigation, and also because they tend to get left out of the cross-licensing that occurs among large corporations.

The remainder of this Article considers whether the patent monopoly needs of toothbrush and hairbrush inventors (and others innovating in "low technology" areas) and possibly, at least occasionally, the objectives of "leverage" patenters, can be met short of obtaining traditional utility patents. The Article further theorizes about what inventors (and investors) might need to be given in exchange for accepting a "lesser" form of patent protection. One proposal for a new form of patent protection is outlined in Part III below.

Patents mean disparate things in different contexts. Commentators have noted: Studies suggest that the importance of patents varies within industries and firms. When surveyed about the effectiveness of patents, research and development executives from eighteen different industry and technology groups responded that product patents were easier to protect than process patents. Patents were viewed as critical in inducing investment within industries where research and development costs are high, as in fields relating to pharmaceuticals, specialty chemicals, and microelectronics. Other factors, such as sales and service and lead time advantages, were considered as equally or more important than patents in other fields.

When non-marketing-related research and development costs are low, it is hard to imagine that a utility patent is nearly as important as brand identification, effective advertising, attractive packaging, and other protectable intellectual property such as

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46 See, e.g., Sullivan, supra note 42.
48 See Korman, Supra note 1 (citing the American Intellectual Property Law Association).

Many big computer companies are developing their own defense against the vagaries of endless patent litigation: They simply cross-license their patent portfolios with each other. It's not unusual to discover that two mammoth competitors like Xerox and Canon have cross-licensed their entire portfolio of patents to each other. This saves them endless fighting, while it keeps out the little competitors.

Id.

copyrights and trademarks. Yet utility patents are obtained even on inventions that appear to do little to differentiate the products embodying these inventions from competing goods.

The patent system does not inquire widely into the level of investment or inventiveness that went into an invention; inventions simply need to meet standards for patentability with respect to novelty, usefulness, and nonobviousness. In theory at least, patents stimulate public disclosure of major technological discoveries that might otherwise be kept secret. Minor inventions also can be patented, and they are - though perhaps not for the expected reasons. As discussed above, many patents likely are obtained for purposes other than straightforward competitor exclusion. As one commentator asserted: "In reality, the majority of patents are not commercialized. Those that are commercialized derive their value from a series of complementary factors such as manufacturing and distribution facilities, workforces, advertising and other items of intellectual property." It is therefore impossible, especially as an outsider, to predict the relative economic value of particular patents to specific commercial enterprises. In fact, it seems impossible to get a reliable handle on any facet of the patent system. This is not to dismiss the valiant efforts of patent scholars in this regard. Empirical researchers themselves tend to spend a good part of their publications detailing the limitations of their research and results.

Professor Samuel Oddi has persuasively argued that (at least as of 1996, when his seminal article was published) there was no unified economic theory of patents that adequately describes the overall patent system, demonstrates that the patent system provides a net societal benefit, or consistently predicts the outcome of individual patent disputes. Rather than tying up loose ends, the existence of "leverage" and "keeping up appearances" patents makes it even more unlikely that a comprehensive economic theory of patents can emerge. Patent system scholars need to acknowledge that entities obtain patents for a variety of reasons not contemplated by the patent law. There may be several categories of patents embedded within the traditional utility patent framework, and each category may have its own economic logic and disclosure-versus-monopoly tradeoffs.

Commentators have argued that severe economic shifts have an impact on the number of patent applications that are filed. Declines in patent applications during

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51 Although trademarks are usually categorized with copyrights and patents as intellectual property, they are probably best defined as intangible commercial property. There is rarely anything "intellectual" about a product or company name, logo, or slogan.


54 Id. at 546 ("Unfortunately, few legal scholars and economists have researched and clearly documented the nexus between patents and technological innovation in the United States.").


56 Oddi, supra note 38.

57 Rose, supra note 53, at 550.
economic downturns may reflect decreased expenditures in research and development and a consequent abatement in the number of patentable inventions that are developed. These declines may, in part, indicate reductions in the number of new products that are launched during periods in which consumers are spending less of their disposable income, resulting in less need or desire for "keeping up appearances" patents. The diminution in new patents during economic slowdowns also may reflect less overt aggression between competitors, as financial crises compel companies to turn their energies inward and away from more exotic, expensive, and speculative tactical commercial weaponry such as "leverage" patents.

Some researchers have ascertained a strong relationship between research and development spending and patenting activity across firms and industries. However, with products such as hairbrushes and toothbrushes, where a good bit of any research and development budget is apt to be spent on marketing concerns rather than utility issues, one has to question whether the relationship is generally a causal one. At least part of the time, entities may patent minor inventions that develop and evolve as byproducts of consumer research, the quest for product differentiation, and the formation of advertising campaigns. With little expectation that the inventions themselves will add value to products or produce licensing revenues from other entities seeking to use the invention, these patent owners are unlikely to defend their patents forcefully against either infringement or validity challenges, unless doing so serves an ulterior purpose such as providing ballast with which to leverage a competitor on other counts. These are the inventions which, with the consent of the entity sponsoring the patent application, ought to be diverted to a different patent track that uses fewer resources to administer and maintain, yet still offers monopoly benefits to the invention owner to the extent that there are any to be gleaned from the invention.

Professor Mark Janis recently published an article, entitled Second Tier Patent Protection, in which he concluded that a second tier or "petty" patent system would not improve access to patent protection for small and medium sized business enterprises. His focus was on international second tier patent regimes and the effect that such regimes may have on global harmonization of patent laws. He also asserted that the U.S. patent system "arguably lapsed into de facto second tier protection in the mid-twentieth century by default through desultory application of the obviousness/inventive step standard." In other words, the United States already recognizes petty patents, but does not systematically distinguish them from any other patents.

Professor Janis posited that the "[European] trend to embrace second tier patent regimes may ultimately prove irresistible to the United States, which has never had second tier patent protection." The "irresistibility" or attractiveness of a petty system, according to Janis, emanates from a desire to provide small and medium sized businesses

58. Berven & Blanck, supra note 50, at 42-43.
59. Cf. Merges, supra note 4, at 597 (explaining that ideally patents would be sorted according to their prospective social costs, and search resources could be allocated such that more resources were spent on patent applications likely to mature into patents with a high social cost, and less on applications likely to spawn patents with lesser social costs).
60. Janis, supra note 36.
61. Id. at 159.
62. Id. at 154.
with increased access to the patent system. His working assumption is that any second tier patent protection scheme would be directed at subpatentable innovations - inventions that do not currently qualify for patent protection even given the U.S. patent system's low threshold of obviousness and inventiveness.63

This Article explores the possibility of using a system of second tier patenting, in part as a mechanism for strengthening the obviousness/inventiveness requirement of traditional patents by diverting less innovative but currently patentable inventions into second tier protection, in a manner that benefits society and offers advantages to the second tier patentee. This mechanism is emphatically not directed at increasing patent access for anyone. In fact, one of the conclusions one might draw from the existence of "leverage" and "keeping up appearances" patents is that there is already too much access to and use of the patent system altogether.64

In an effort to separate this Article's proposed second tier patent protection from the petty patents described by Janis, this Article's proposed patents are labeled "Origination Patents."65 This label puts a more positive spin on the concept and avoids the negative connotations of the word "petty" (in popular parlance meaning, at best, insignificant or trivial; and more commonly meaning spiteful or inferior). Inventors or their assignees would be free to pursue either an Origination Patent or an ordinary patent to protect their inventions. The admittedly second tier Origination Patent option would not be imposed on anyone. Rather, it would be voluntarily selected by willing inventive entities. Proceeding on the assumption that "many firms obtain patents with no immediate purpose or early need to enforce them, but rather to fence out competitors and potential competitors,"66 the Origination Patent option attempts to create a patent-like form of intellectual property that will fence out competitors with a higher degree of certainty than is currently available, but will only do so for a three to five year interval. This proposal recognizes the persuasive criticisms that have been leveled against using hybrid legal

63 See generally id.

64 See, e.g., Merges, supra note 4, at 587.

Beginning in the earliest days of the patent system, and extending until perhaps as late as the early 1980s, the legal system assumed that intellectual creations were not protectable unless (very) good cause was shown. Today, it often seems the opposite. We now ask: why not protect a new form of intellectual creation? We're protecting everything else like it.

Id.

65 The most accurately descriptive title would be "Novelty Patents" but that tends to lead one to think of patents for novelty devices such as hand buzzers, whoopee cushions, and plastic vomit. Other legal scholars have proposed alternative forms of patent protection that they have christened "innovation patents." See Janis, supra note 36, at 172-76.

Some scholars have advocated the "direct" protection of innovation, usually as a supplement to the regular patent system. One proposal would create an "innovation patent," guided by the principle that patent-like protection should be tied more closely to tangible manifestations of innovative activity. As one proponent puts it, "protection would be granted only to the combination of a tangible object and the initial act of actually commercialising it."

Id. (footnotes omitted).

66 Allison & Lemley, supra note 55, at 237.
regimes to provide grants of exclusive property rights for new technologies. The Origination Patent attempts to avoid the pitfalls inherent in such hybrid regimes by embracing most of the traditional patent precepts and by aiming this new form of patent protection at inventions that would, by contemporary standards, otherwise be deemed worthy of traditional utility patents. Origination Patent protection is not aimed at innovations that fall between the gaps of copyright and patent protections.

As discussed above, intellectual property law scholars have yet to develop a widely accepted, unified theory of patents that not only explains the past patent-related behavior of patent seekers, patent holders, the PTO, and the court system, but also reliably predicts future performance and trends. The two predominant economic theories of patents are the reward theory and the prospect theory.

The reward theory, which scholars have argued was embraced by the Supreme Court (at least before the Court ceded patent law jurisprudence to the Federal Circuit), views patents as necessary evils, needed to reward inventors for the completion and disclosure of their inventions and to foster additional invention. The ordinances of the reward model dictate a high standard of prima facie nonobviousness because only inventors who have made significant advancements in the pertinent art ought to be rewarded with patents.

Conversely, the prospect theory, which scholars argue has been tacitly but warmly embraced by the Federal Circuit, promotes a standard of obviousness broadly linked to commercial success, even if this success is attributable to factors other than the patented features of an invention. The Federal Circuit has affirmatively stated that a lack of

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68 See, e.g., Oddi, supra note 38.

69 The Supreme Court's most recent substantive "obviousness" pronouncement is embedded in Sakraida v. Ag Pro, Inc., 425 U.S. 273 (1976). The invention at issue was a dairy barn design with a flushing system that washed cow manure from the barn floor. Though all elements of the design were present in the relevant prior art, the patented design featured the sudden release of a sheet of flowing water, which was more effective in cleaning a barn floor than previous water-based methods. Relying heavily on the fact that the claimed invention met a long-felt need in the dairy industry and met with considerable commercial success, the Court concluded that it was nonobvious when created. Id. at 274-79.

70 See, e.g., Oddi, supra note 38; ROBERT P. BENKO, PROTECTING INTELLECTUAL PROPERTY RIGHTS: ISSUES AND CONTROVERSIES 15-17 (1987).


72 See, e.g., Rhodes, supra note 71.

[T]he Federal Circuit consistently relies on a wider variety of secondary considerations than most earlier courts employed when making the obvious/nonobvious determination. Among the forms of secondary considerations that the court recognizes are: commercial success of the invention; long-felt need for the invention; failure of others to make the invention; skepticism or disbelief of experts in the industry concerning the ability of the invention to perform its claimed result; copying of the invention by competitors; critical acclaim or recognition of the advantages of the invention by competitors, especially by those who take licenses of the technology; and synergism, usually phrased as unexpected or surprising results.

Id. at 1071-72.
commercialization (and therefore the absence of commercial success and all the secondary considerations that are linked to commercial success) is not evidence of obviousness. As a result, noncommercialized patented inventions are not disadvantaged by an inability to demonstrate commercial success, while probative value is given to secondary considerations whenever a patented invention can demonstrate them. The impact of this approach has been to lower the overall standard of obviousness required to sustain patentability. It is against this backdrop of a pancaking obviousness floor that the Internet Patent News Service awarded its "Worst Method of Doing Business Patent in 1998" to U.S. Patent No. 5,851,117, "granted to a company for its blindingly original idea of using an illustrated book to teach janitors how to clean a building."  

III. PROPOSAL: THE ORIGINATION PATENT  

The Origination Patent would be a second tier form of patent protection, offering modified costs and benefits both to the Origination Patentees and the public within the traditional "you-give-us-innovation-and-disclosure-and-we-give-you-a-limited-monopoly" patent protection paradigm. It would be available for products and process that fit within the vast confines of section 101 patentable subject matter, meet the minimal utility requirement, and are novel and nonobvious within the meanings of sections 102 and 103 of the Patent Act. Nonobviousness would still be a requirement for issuance of Origination Patents, but would be removed as a ground upon which to challenge the validity of Origination Patents. The utility requirement would be removed altogether, based on the assumption that few entities would seek short-term patent protection unless they expected to derive some utility from the exercise, and therefore from the invention. Origination Patent disclosures would still need to be enabling, and that would serve as a check on the operability of invention, which is more or less all that the utility standard references. 

The length of protection would be in the three to five year range. Origination Patent prosecution would be streamlined and compulsorily take less than a year.

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73 See, e.g., Custom Accessories, Inc. v. Jeffrey-Allan Indus., 807 F.2d 955, 960 (Fed. Cir. 1986); Medtronic, Inc. v. Intermedics Inc., 799 F.2d 734, 739 n.13 (Fed. Cir. 1986), cert. denied, 479 U.S. 1033 (1987); Datascope Corp. v. SMEC, Inc. 776 F.2d 320, 327 (Fed. Cir. 1985).


75 Caruso, supra note 2 (citing Gregory Aharonian, editor of Internet Patent News Service, who opined, "This claim should never have been written, let alone allowed.").


77 Id.

78 Id. §§ 102-103.

79 ROBERT P. MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 163 (1997) ("Most applications of utility doctrine have been quite limited in the hurdles they place before inventors. Certainly any number of 'frivolous' ideas are patented, suggesting that the burden of showing utility cannot be all that high."). See also Mark A. Lemley, supra note 71, at 1007 n.78 ("The requirement that a patented invention be 'useful' is only laxly enforced.").

80 Cf. Korman, supra note 1, at BU 4 (stating that a one to two year head start over competitors can make "all the difference in the world").

81 Cf. Merges, supra note 4, at 596-97
Delinquency in prosecution during this abbreviated time period would result in rejection of the application, while failure of the PTO to act upon an application in a timely matter would result in automatic issuance of an Origination Patent. The Origination Patent would still be subject to invalidity challenges on all the traditional grounds except, for reasons discussed below, obviousness and utility. It would therefore be, in most respects, a "pared down" patent, with the same constitutive requirements and scope of intellectual property rights, but in a stronger, more defensible package and for a shorter term. A few of the specifics follow.

Patentable Subject Matter: The categories of patentable subject matter are enormously broad, and the types of products and processes eligible for Origination Patent protection should be as well. Retention of the same subject area emphasizes the fact that an Origination Patent is simply a variety of patent protection, rather than new form of intellectual property.

Novelty: The novelty requirement for Origination Patents would be identical to that required for traditional patents and for the same practical and philosophical reasons. Only something new is eligible to be deemed intellectual property, and nothing previously dedicated to society can be removed from the public domain. Competitors will be less likely to bring suit on novelty grounds where the patentee's monopoly lasts at most five years. However, they will retain the ability to challenge an Origination Patent on novelty grounds while the Origination Patent is in effect.

Removal of Obviousness Requirement as a Basis for Challenging Validity: It is by removing obviousness as a ground for contesting validity that the primary goals of the Origination Patent are met. An invention's "nonobviousness" is a measure of its inventiveness - the technological advance it represents. The PTO will not allow an apparent or intuitive (ergo "obvious") invention to be patented, even if the invention is new, useful, and satisfies all of the other patentability requirements.\(^\text{82}\) Patents that issue after meeting the PTO's threshold for obviousness can be attacked and invalidated if a court makes an independent determination that an invention would have been obvious to a person ordinarily skilled in the pertinent art at the time of its creation.\(^\text{83}\) The Origination Patent eliminates this post hoc review of obviousness, which is driven by competitors seeking to invalidate a patent. Judges and juries who undertake this review are informed by litigants and their experts about the scope and content of the prior art but generally lack independent awareness of or expertise in the pertinent art themselves. The PTO's conclusion that an invention was nonobvious would become final when an Origination Patent issued. Articulate second-guessing by well-paid experts in the judicial arena would not disturb the PTO's affirmative conclusions.

Of course, making the PTO's obviousness conclusions dispositive does not mean they will always be correct. The PTO may at times make mistakes that withdraw "obvious" inventions from the public domain. Owners of inventions of questionable

\(^{82}\) See generally 2 DONALD CHISUM, CHISUM ON PATENTS 5.01-.04 (1994 & Supp. 1999).

\(^{83}\) Id.
obviousness will have a strong incentive to pursue Origination Patents because if they can manage to convince a Patent Examiner that the invention is sufficiently nonobvious, they need not be concerned that the issue will be revisited. However, this sort of self-selection is not necessarily a bad thing. The patent system is premised on the belief that Patent Examiners will do a competent job of winnowing out subpatentable inventions most of the time, hence the presumption that issued patents are "born valid." When inventions that upon closer inspection lack the requisite inventiveness issue as Origination Patents, at least these Origination-Patents-in-error do not last nearly as long as utility patents for obvious inventions, which, if unchallenged, can last about seventeen years. Entities that habitually patent inventions to fence out competitors rather than to carve out monopoly territory in which to commercialize an invention (the least socially beneficial use of the patent system) may be attracted to a framework in which obviousness cannot be challenged once an Origination Patent has issued, but they can take advantage of this feature of the Origination Patent only by foregoing longer-term fences.

Length of Term of Protection: One study found that average time in prosecution for an ultimately successful patent application is 3.6 years, with a median time of 2.7 years. However, "low tech" inventions, primarily those best suited for Origination Patents, appear to take considerably less time to prosecute. Significant empirical research might be required to determine the optimal length of an Origination Patent monopoly, but five years from the date of filing is a good starting place. If the PTO was statutorily required to rule on an Origination Patent application within twelve (or even eighteen) months, with the proviso that if it failed to do so, the application would be presumed granted and the Origination Patent would issue, an Origination Patentee would be guaranteed a minimum of three and a half years of protection.

The major advantage of the Origination Patent would be enhanced security and predictability. Validity litigation breeds uncertainty. Some empirical researchers have recently asserted that "approximately 54% of all litigated patents are held valid. This percentage is significantly higher than it was before the Federal Circuit was created, but it is still little better than a coin toss." Despite the increased likelihood that a challenged patent will be found valid due to the establishment and alleged pro-patent bias of the Federal Circuit, or even the willingness of juries to find patents valid, it is doubtful

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84 See 35 U.S.C. 282 (1994) ("A patent shall be presumed valid.").
85 Patent terms recently changed from seventeen years from the date of grant to twenty years from the filing date. See 35 U.S.C. 154(a) (2) (1994) (effective June 8, 1995). However, patent protection does not commence until the patent issues. Id. Because patent prosecution averages about three years, the applicant nets roughly seventeen years of protection. See discussion infra note 86 and accompanying text.
86 Allison & Lemley, supra note 55, at 237. The difference between the average and median figures "indicates that a few patents spent a great deal of time in prosecution, raising the mean." Id.
87 See id. at 251 (internal quotation marks omitted).
88 In fact, one Federal Circuit judge has argued that Federal Circuit jurisprudence has increased patent validity uncertainty. In Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448 (Fed. Cir. 1998), the Federal Circuit ruled en banc that claim construction is a purely legal question that is reviewed de novo on appeal. Judge Randall Rader's dissent asserted that:

The current... regime [established by the Federal Circuit] means that the trial court's early claim interpretation provides no early certainty at all, but only opens the bidding. The meaning of a claim is not certain (and the parties are not prepared to settle) until nearly
that competitors are any less likely to challenge a particular patent's validity when accused of infringing it. Invalidating a patent carries the promise not only of helping an entity avoid injunctions and infringement damages, but also of freeing the disputed technology for use free from licensing fees or other prerogatives of monopoly control. Invalidation of an obstructive patent is the competitor's brass ring. The more valuable the patented technology, the less perceived vulnerability of a patent will be required to motivate a competitor to attempt to invalidate a patent on its own initiative, such as by requesting a re-examination or bringing a declaratory judgment. When a competitor has the added incentive of avoiding infringement damages and the prohibitions of an injunction, it will be motivated to attack even the strongest-appearing patent.

Uncertainty begets many evils. Patentees may have trouble securing financial backing, enter into ill-informed licensing agreements, eschew investment in improving an invention, and allocate resources for defending the patent's validity that could be more beneficially distributed elsewhere. Competitors may devote resources to challenging a patent's validity that would be more advantageously (for both the competitor and society) spent designing around the patent. Or, they may shun producing any potentially infringing goods or services for the entire statutory period of the patent, which may force consumers to pay unnecessarily high monopoly prices to the patentee for about seventeen years.

Obviousness is the most frequently used basis for judicial invalidation of patents. It is also the most frequently asserted validity challenge. With obviousness removed as a basis for post-issuance invalidation, a competitor is less likely to commence litigation that challenges patent validity. Patent litigation can be wildly expensive, and unless an Origination Patentee missed, ignored, or mischaracterized a prior art reference, she can be fairly confident that her intellectual property will be protectable for the statutory period. If the PTO errs by granting an Origination Patent to a minimally innovative, "obvious" invention, competitors and society at large should find consolation

the last step in the process - decision by the Court of Appeals for the Federal Circuit... In implementation, a de novo review of claim interpretations has postponed the point of certainty to the end of the litigation process, at which point, of course, every outcome is certain anyway.

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... Inadvertently [Federal Circuit jurisprudence] has postponed the point of certainty to the extreme end of the judicial process.

Id. at 1476-78.

89 Juries find patents valid significantly more often than judges do. See Allison & Lemley, supra note 55, at 211-13, 242-44, 251-52. Further evidence that juries tend to view patents as valid more often than judges is evidenced by the fact that more jury findings of validity are reversed than findings of invalidity. See Id. at 244.

90 Korman, supra note 1 ("The richer the prize, the bloodier the warfare and the greater the likelihood that the case will be tried rather than settled.").

91 For an extensive discussion of the problems created by patent validity uncertainty in the context of a very different proposal, see Nard, supra note 55.

92 Id.

93 Id.

94 Id.

95 See Allison & Lemley, supra note 55, at 192, 208.

96 See id. at 209-11.

97 See id. at 187.
in the fact that the unearned monopoly will last, at most, five years. The Supreme Court long ago asserted that delegating the job of "sifting out unpatentable material" to the PTO has a laudatory effect on certainty and the overall stability of the patent system.

Revolutionary, pioneering patents, when widely and aggressively enforced, are capable of having a negative, depressive effect upon subsequent experimentation and innovation by others. Minor inventions usually can be designed around. Because the judiciary uses commercial success as a proxy for nonobviousness, only unremarkable, poorly selling inventions would likely be invalidated on obviousness grounds anyway, and such Origination Patents are unlikely to do much societal harm during the period they are even erroneously in effect. Moreover, patents are not usually challenged until several years after they have issued. Indeed, "litigated patents are generally not newly obtained ones; on average, well over a decade elapses between the filing of a patent application and a court's ruling on the validity of the patent." By the time a competitor feels a need to challenge an Origination Patent, regardless of whether it is a strong patent or would have been vulnerable to invalidation on obviousness grounds, it will be near expiration.

A. Commercial Advantages of Origination Patents

An Origination Patent applicant could be confident that it will know whether or not an Origination Patent will issue within a relatively short period of time. If the

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98 But see Merges, supra note 4, at 588 (arguing that there is even more reason than usual to be concerned about improperly granted business concept patents).
99 Graham v. John Deere Co., 383 U.S. 1 (1966) ("While we have focused attention on the appropriate [obviousness] standard to be applied by the courts, it must be remembered that the primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is - for all practical purposes - to debilitating the patent system.").
101 See Graham v. John Deere Co., 383 U.S. 1, 17-18 (1966). See also Reichman, supra note 45, at 507 ("To the extent that even the validity of traditional utility patents in the United States increasingly depends on secondary factors, such as commercial success and copying, the patent law itself is opening towards market-determined legal outcomes."); Rhodes, supra note 71, at 1074 ("The [Federal Circuit] has completely abandoned the Supreme Court's view that such evidence is useful merely to tip the balance in close cases; in many Federal Circuit cases, secondary considerations are more determinative of nonobviousness than is the prior art.").
102 See Allison & Lemley, supra note 55 ("Most patent litigation involves inventions that not only are fairly old, but also have been patented for several years before enforcement.").
103 See id., at 252.
104 But see Janis, supra note 36.
Second tier patent proposals also routinely promise to provide "quick" protection that is effective in securing intellectual property rights for products having life cycles shorter than the average pendency of a regular patent application. This is a particularly important justification for second tier patent protection because, if it is true that products across the board are experiencing steadily diminishing life cycles, it is possible that second tier protection may be viewed as the dominant regime for the protection of technology. Additionally, the possibility of quickly acquiring protection may be especially critical to small technology companies whose major assets comprise intellectual property rights. One commentator, for example, points out that second tier patents may provide small
Origination Patent does issue, and assuming the patent attorney has done a competent job, the Origination Patent likely will be enforceable for the entire statutory term. Decisions pertaining to investment in manufacturing and advertising can proceed apace, informed by the strong but short-term monopoly the Origination Patentee has secured. When an Origination Patent obtained for commercial exploitation purposes expires, the savvy Origination Patentee will continue to thrive, having used the monopoly interval to build powerful brand identification inuring to a quality product at a competitive price. Critics of strong intellectual property protection have cogently argued that, even without patent protection, innovators gain sufficient lead time over competitors (who still must learn to use or produce an invention) to profit from their innovations. However, the inventors of more complex products and processes are more likely to accrue this lead time in larger increments. Inventions that are easily observed and understood can be duplicated rapidly. For this reason, a short-term Origination Patent monopoly would enhance the financial viability of "low tech" inventions.

If an invention was unlikely to be or not intended to be commercialized, and therefore of little immediate value, the owner could choose between saving on patenting expenses by obtaining a short-term Origination Patent monopoly or investing in traditional patent protection. An Origination Patent would provide a period during which manufacturing and distribution could be explored, whereas the traditional patent would extend the monopoly period to provide additional time in which incentives to commercialize the invention might surface.

Conversely, when an invention is likely to be commercialized, the invention owner can choose one form of patent protection over the other based on the owner's level of risk aversion, the length of the "head start" deemed necessary for commercial success given particular market conditions, and the predicted number and quality of non-infringing, competing goods or processes.

B. Illustration: Origination Patents for Business Methods

Hairbrush and toothbrush patents may be inexplicable and even to some extent iconoclastic, but they are not broadly contentious. A more controversial category of patents that could be affected positively by the Origination Patent concept is that of companies with the security necessary to obtain intermediate financing necessary to move a research program ahead to the next benchmark.

Ultimately, however, many of the same considerations that undermine the goal of providing low cost protection through second tier regimes likewise undermine the goal of providing quick protection. Regimes which have sought to offer rapid issuance by abolishing pregnant substantive examination, routinely provide that substantive examination, with its inevitable delays, must be requested prior to enforcement. Post-grant administrative revocation procedures are likely to be available, and parties charged with infringement of second tier patent rights could presumably initiate a revocation proceeding and demand suspension of the infringement proceeding pending the outcome of the revocation. Serious questions may be raised as to whether second tier patent regimes, as currently formulated in existing proposals, would be capable of providing "quick" protection in any commercially meaningful sense of the word.

Id. at 188-89 (footnotes omitted).

See, e.g., BENKO, supra note 70, at 19.
business methods. The number of business model patents in effect grew from 2 in 1995 to 125 by the end of 1998, according to the PTO, and have had a favorable impact on employment prospects for patent attorneys. Walker Digital, the company behind Priceline.com, maintains an idea lab modeled loosely upon Thomas A. Edison's famed laboratory in Menlo Park, New Jersey. One important difference is that fully half of Walker Digital's twenty-five employees are lawyers with patent expertise. Commercial entities or observers are not likely to reach any immediate consensus on whether patents on business methods are an unqualified good or evil, and this Article takes no position in the debate. One pundit remarked:

No one is happy when a bright person grabs a patent on something that doesn't seem particularly new or novel - especially when he or she demands royalties. This is just what some of the "inventors" of the Internet patents are doing, to the consternation of many. They're sending out letters demanding payment of royalties and backing the demand with the threat of a lawsuit. Half the people who get the letter are wondering, "Is that really patentable?" - and the other half are kicking themselves for not filing the patent first.

Some commentators have argued that allowing traditional patents to protect pedestrian online business practices will be disastrous for the emerging Internet economy, as companies that obtain patents for their business methods can preclude other entities from competing with them online. One industry observer opined that allowance of patents that control things like the sale of audio or video recordings in download fashion over the Internet is evidence that "the Patent Office has completely lost its mind." Conversely, others have argued that "the patent office has rightly recognized that business models are inherently valuable and that they take real creativity to

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106 See, e.g., Matt Richtel, Are Patents Good or Bad for Business Online?, N.Y. TIMES ON THE WEB (Aug. 28, 1998) <http://search.nytimes.com/search/daily/bin/fastweb?getdoc+site%3e+74186+0+wAAA(R)ichtel%7Esamuelson>. The patent office has awarded an increasing number of patents for business models in general since 1996, when it issued new guidelines detailing its approach to issuing patents for computer software and hardware. One reason for the change was the recognition that these business models were in and of themselves technological advances, because businesses were inventing new ways of automating services. Id. (citing Pamela Samuelson, Professor, Boalt Hall School of Law at the University of California at Berkeley).


108 Priceline.com is a Web-based business that auctions airline tickets, among other things.


110 See, e.g., Merges, supra note 4, at 588. ("It is virtually impossible to determine - at least at this time - if truly valid business concept patents are a net drag on the economy, a net plus, or neutral.").

111 Wayner, supra note 49.

112 See, e.g., Richtel, supra note 106 (citing Mark Lemley, Professor of Law, University of Texas).

113 Caruso, supra note 2 (quoting Michael Robertson, President, MP3.com).
implement." Business interests that consider themselves e-commerce pioneers claim that without business method patents they will be less able to attract investors, innovate extensively, and fully develop the commercial potential of cyberspace.  

Origination Patents potentially are a good compromise. Businesses that innovate can obtain a short-term monopoly in which to implement and test protected business methods. Other businesses need only forbear using these business methods for less than five years. When hampered by an obstructing patent, five years may represent an eternity in "Internet time," but waiting out the patent may still be cheaper and faster than attempting to invalidate a patent that could be around for seventeen years or more.

Origination Patents would be attractive to those seeking business methods patents, because those patents tend to be exceedingly vulnerable to validity challenges based on obviousness. Once business method patentees had convinced the PTO of the putative invention's nonobviousness, they could focus most of their resources on testing and improving their business methods and allocate fewer resources for defending the Origination Patent. Those opposing or challenging a business methods patent could still attempt to invalidate the Origination Patent based on lack of novelty (or other grounds) where appropriate. Origination Patents protecting business methods that are demonstrably in the public domain still would be justifiably vulnerable to validity challenges. However, the explosion of patent litigation that is predicted to be launched by the business method patent phenomenon would be muted somewhat. For companies that view stockpiling

114 Richtel, supra note 106 (citing Andrew B. Whinston, Director, Center for Research in Electronic Commerce, University of Texas). See also Miller & Maharaj, supra note 107.

115 See, e.g., Richtel, supra note 106 (citing Eric Tilenius, Chairman and co-founder of San Francisco-based Netaentives).

116 See, e.g., J. William Gurley, Patent Here, Patent There, Patent, Patent Everywhere CNET News.com, (visited Dec. 6, 1999) (<http://www.news.com/Perspectives/Column/0,176,341,00.html>) ("Many of the currently awarded [business method] patents are merely a common practice or metaphor with phrase 'on the Internet' appended as some suggestion of innovation."). Even the U.S. House of Representatives has expressed concern that business methods patents may at times constitute monopolies over commercial procedures already in use by others, as evidenced by passage of H.R. 1907, the American Inventors Protection Act of 1999. This Act establishes prior-user rights in business methods - the ability to continue to use a business method without limitation, even if another party independently invents and patents it. According to Representative Don Manzullo (R-Illinois), the House, which voted for the bill with a 376-43 majority, "felt that those who kept their business practices secret had an equitable cause not to be stopped by someone who subsequently reinvented the method of doing or conducting business and obtained a patent." Skip Kaltenheuser, House U-Turn on Patent Bill, WIRED NEWS (visited Aug. 9, 1999) (<http://www.wired.com/news/business/story/21143.html>). But see Merges, supra note 4, at 587 ("[Congress] has shown little inclination to limit intellectual property rights in recent years.").

117 See Gurley, supra note 116.

Internet business model patents... are much more likely to increase litigiousness than promote efficient commerce. It would surely be ironic to see all the efficiency gains of e-commerce wasted on unnecessary [patent] litigation... Do we really want to create a world where up-and-coming companies must spend millions of dollars and a substantial amount of time on litigation? Is this the fate of the supposedly efficient "Internet Economy?" It appears that patents on broad Internet business models could do more to thwart innovation than to encourage it by burdening start-ups with an unnecessary legal responsibility.
business patents as a business in itself, the length of protection available through traditional utility patents would be an important consideration, and Origination Patents would hold little intrinsic appeal. However, for enterprises that are more interested in lead time than exclusivity and that intend to capitalize on being the first and the best rather than the only. Origination Patents could prove attractive.

IV. CONCLUSION

More attention needs to be paid to the types of inventions that are patented and the reasons that patents are obtained. Patents that are obtained for nontraditional reasons do not always require (or perhaps, deserve) traditional patent protection. Unless and until the functional requirements for patentability are upgraded, entities cannot be prevented from obtaining regular utility patents on even minor inventions with negligible commercial prospects. They may, however, be lured to an alternative, shorter-term form of patent protection if it offers appropriate advantages. For inventions that will not be overtly or linearly commercialized, the Origination Patent is one alternative to the traditional utility patent framework. Second tier patent scenarios that reduce the motives for, and quantity of, patent validity litigation merit further consideration.

... The current path of policy will serve to encourage all businesses to rush the patent office, reward quick and frequent legal filing [rather than] true innovation, create roadblocks to the rollout of the Internet, and increase the litigation requirements for small business.

Id. See also Richtel, supra note 106 ("More and more, the government is awarding patents to protect innovative business models, a practice it long frowned upon and one that some critics fear will stifle competition in electronic commerce, or at least make it highly litigious."). Korman, supra note 1.

The volume of civil lawsuits in federal courts is rising again after a slump in the late 1980s and early 1990s. And a recent federal court of appeals decision that broadens the already wide definition of a patentable process has opened the door for more contentious patents, and thus more litigation.

Id.

118 See, e.g., Miller & Maharaj, supra note 107.

Jay Walker, the billionaire founder of Priceline.com, has built a virtual idea factory in Connecticut. Walker aims to become the Jerome H. Lemelson of the Digital Age. Lemelson, a prolific inventor who patented technology used in grocery store scanners and other devices, made a fortune not by marketing his inventions but by extracting licensing fees from others. Lemelson died in 1997, but the checks continue to pour into his estate. Walker's company, Walker Digital, has hired a team of inventors to churn out patentable business ideas. Walker has already won 12 patents, and another 240 are pending.

Id.

119 Amazon.com, for example, did not attempt to patent the idea of selling goods on the Internet. See Miller & Maharaj, supra note 107.