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**Computer & Communications Industry Association**

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***Via Email (Philippe.Baechtold@wipo.int)***

Philippe Baechtold  
World Intellectual Property Organization (WIPO)  
34, chemin des Colombettes  
1211 Geneva 20, Switzerland

*Re: SCP/13/5: Report on Dissemination of Patent Information*

Dear Mr. Baechtold:

On behalf of the Computer & Communications Industry Association (CCIA), I write to express concerns about the “Report on the Dissemination of Patent Information” (SCP/13/5). CCIA is a non-profit trade association representing computer, information technology, and Internet companies. CCIA members use the patent system regularly, and depend upon it to fulfill its purpose of promoting innovation.

This report presents an incomplete view of the dissemination of patent information – a far more difficult topic than readers are led to believe. It makes unwarranted and controversial assumptions about the quality and value of patent information with little attention to its practical deficiencies and the costs and risks of using it. Yet the ineffectiveness of patent disclosure is a major systemic problem in the patent regime, deeply intertwined with the widely recognized problem of patent quality. The limitations of patent information reflect and illuminate some of the most challenging problems in patent law, policy, and practice. Accordingly, we suggest that the report be revised to address these problems in proper context with the kind of issue orientation and balance better exemplified by report SCP/13/2 (“Patents and Standards”).

The reasons for the limited value of patent information and its effect on dissemination should be identified and discussed with specificity. These include:

### **1) The complex technology problem**

In the heavily regulated pharmaceutical industry, where a single patent may cover the whole of a marketed product, there is a high degree of patent awareness, and individual patents are recognized and read as useful source of information. Pharmaceuticals are characterized by a relatively manageable ratio of the number of patents to the given product, and the relatively few number of stakeholders will all have a reasonably clear idea of what the patent database contains. In the ICT sector, on the other hand, where thousands of patents may read on a product or service, search and evaluation costs are disproportionate to the value of the product. In addition,

many patents are of dubious validity, and most will never be asserted. A computer may contain tens of thousands of functions, yet most of this functionality is old and in the public domain. Few companies, if any, can afford to pay close attention to patents. Robert Barr of Cisco described the problem at a U.S. Federal Trade Commission (FTC) roundtable in 2002: “[T]here are too many patents to be able to even locate which ones are problematic. I used to say only IBM does clearance searches... but IBM tells me even they don’t do clearance searches anymore.”<sup>1</sup> Instead, patents are generally ignored as they issue and are addressed only as they are asserted.<sup>2</sup>

There are many reasons why patent information is of little value in complex-product industries. Overabundance of poor-quality information injects noise into the system, raising information and transaction costs. This enhances the exclusionary effects of patent thickets, and promotes anticompetitive use of fear, uncertainty, and doubt. While there is often disagreement about how the quality problem should be defined (e.g., low standards of inventiveness, poorly applied standards of inventiveness, inadequate searching for prior art, lax enforcement of subject matter limitations, etc.), low quality in any sense reduces the information value of patents. In general, judicial treatment of patents as legal rights (rather than as a system for promoting and regulating innovation) favors applicant/patentee interests over information quality, and the efficiency and integrity of the system as a whole.

## 2) Cost of evaluating patent information

If engineers or designers come across a questionable patent, they will need help from an attorney to properly interpret and evaluate the patent, and a serious evaluation requires searching for prior art. According to the 2007 Report of the Economy Survey conducted by the American Intellectual Property Law Association, the cost of a validity opinion on a single patent averages over \$15,000. An opinion on infringement adds another \$13,000.<sup>3</sup>

## 3) Ambiguity

As the report notes, patent information serves two distinct purposes. While the technical part of the patent (the written description) is required to be enabling, the legal part (the claims) is essentially disabling – it describes what cannot be done without permission from the patent owner.<sup>4</sup> In the United States, the meaning of claims is a matter of legal interpretation, to be

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<sup>1</sup> *Competition, Economic, and Business Perspectives on Substantive Patent Law Issues: Hearings Before the FTC*, Oct. 30, 2002 (transcript at <http://www.ftc.gov/opp/intellect/021030trans.pdf>).

<sup>2</sup> Mark A. Lemley, *Ignoring Patents*, 2008 Mich. State L. Rev. 19. For survey evidence of industry differences, see Anthony Arundel, *Patents in the knowledge-based economy*, *Beleidstudies Technologie Economie* 37 (2001): 67-88. See also James E. Bessen, *Patents and the Diffusion of Technical Information*, *Economics Letters*, Vol. 86, No. 1, pp. 121-128, January 2005 (pre-publication version available at SSRN: <http://ssrn.com/abstract=517024>).

<sup>3</sup> American Intellectual Property Law Association (AIPLA), *Report of the Economic Survey 2007*, at I-83.

<sup>4</sup> The claims set forth the outer legal limits (“metes and bounds”) of the patent as distinct from the technological sense of the patent. This practice, “peripheral claiming” rather than “central claiming” often creates tensions and ambiguities that only be resolved in court – thereby diminishing the value of the patent as a source of information. See Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts: Rethinking Patent Claim Construction* (March 12, 2009) U.C. Irvine School of Law Research Paper No. 2009-10; Stanford Public Law Working Paper No. 1358460 (available at SSRN: <http://ssrn.com/abstract=1358460>).

decided by judges. Yet interpretation is notoriously indeterminate with the Court of Appeals for the Federal Circuit reversing lower court interpretations approximately 40% of the time.<sup>5</sup>

#### **4) Abstract subject matter**

This basic problem is exacerbated in the case of patents involving relatively abstract subject matter, such as software and business method patents. In software, this is a consequence of the sheer scope of functionality in computer programs, all of which can be created by a programmer with a personal computer.<sup>6</sup> In both software and business methods, the abstract nature of the language lessens the value of disclosure and increases the cost and uncertainty of evaluation.<sup>7</sup>

#### **5) Delay**

Patent applications are published only after 18 months, which in fast-moving areas of technology may span two or three product cycles. An 18-month delay increases the risk of blindsiding and makes patent information as a whole less valuable, since it is always incomplete.

#### **6) Willful infringement problem**

In the United States, in-house patent attorneys have routinely discouraged, if not forbidden, engineers and designers from reading patents because of the risk of enhanced liability when willful infringement is found. This notorious problem has been ameliorated somewhat by *In re Seagate*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*), but the risk remains under the new “objective recklessness” standard.

#### **7) Ownership and licensing issues**

The inconsistency in registration and reporting requirements is noted in the report – but without examining the problem of market opacity caused by the failure to require reporting or lax enforcement. Patent information is less valuable if it does not reveal who holds interests in the patents or the terms under which the patent may be licensed.

Even if information about patent ownership and licensing is fully recorded, it will necessarily not include information about underlying patent rights (blocking patents). Furthermore, as the report correctly observes: “[T]he fact that a certain patent is not valid (and therefore, third parties may exploit the patented invention without infringing the patent) should not be confused with the freedom to exploit the invention, since there is the possibility that the invention cannot be exploited without infringing other valid patents.” (p.3). This limitation makes patent information less useful than is often supposed, because it means that both prior patents and other prior art

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<sup>5</sup> Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 Lewis & Clark L. Rev. 231, 245-47 (2005).

<sup>6</sup> “Function points” are a common measure of the complexity of a computer program that is considered more meaningful than merely counting lines of code. When software is under a permissive regime that allows for patenting of algorithms, all function points are in principle patentable. In a large program, this may be on the order of millions of functions.

<sup>7</sup> The problem of ambiguous vocabulary and boundaries is discussed at length in James Bessen & Michael Meurer, *Patent Failure* (Princeton Univ. Press 2008), chapter 3.

must be investigated to understand the value and effect of the patent – and the usability of the information it contains.

## **8) Research exemption**

For countries that lack a meaningful research exemption, including the United States,<sup>8</sup> it is not possible to evaluate whether the invention works as claimed.

### ***Patent Information in Context***

The report makes several unsupported value judgments on the value of patent information. For example, it states: “Patent information is currently under-used in developing countries and in SMEs around the world.” (p. 11). In addition to the limitations noted above, there are opportunity costs to reading and assimilating patent information that must be taken into account. Not only are there more straightforward sources of information, such as textbooks, reference books, and the World Wide Web, but in some cases, such as software development, the process of creation does not normally involve use of references.

Similarly, the report states “In sum, patent information provides indispensable information to buyers and sellers of intangible assets and contributes to the transparency and efficiency of technology-based markets.” (p. 9). This statement is aspirational rather than factual. The limitations of patent information, including the lack of public information on licensing, contribute to the opacity of patent markets. The desirability of registration of patent licenses has been a recurrent topic of recent hearings before the U.S. FTC.<sup>9</sup> It would be helpful to have at least a preliminary analysis of patent market transparency and the pros and cons of registration and disclosure requirements based on experience within member states.

CCIA firmly supports the new agenda at WIPO. However, we believe that SCP/13/5 falls short of the higher standard now expected of the Secretariat’s work product and that substantial revision is needed to put the subject in a useful perspective.

Sincerely,



Ed Black  
President & CEO  
Computer & Communications Industry Association

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<sup>8</sup> *Madey v. Duke University*, 307 F.3d 1351 (Fed. Cir. 2002).

<sup>9</sup> See *Hearings before the Federal Trade Commission: The Evolving IP Marketplace* (documents online at <<http://www.ftc.gov/bc/workshops/ipmarketplace/>>); see also Mark A. Lemley & Nathan Myhrvold, *How to Make a Patent Market* (August 2007), Stanford Law & Economics Olin Working Paper No. 347 (available at Social Science Research Network (SSRN): <http://ssrn.com/abstract=1012726>).