



## OBAMA'S LEGACY: PATENT TROLL KILLER?

The Obama administration is focused on abusive patent assertions. But a history of loose patent standards means that most of those efforts won't be felt for years.

Joseph Gratz

**S**an Francisco these days is full of reminders of the 1990s dot-com boom: sky-high office rents, lavish funding for implausible startups, and impossibly young founders ready to take on the world.

But there's one lingering reminder of those heady days that's less pleasant: the bad patents that were filed and issued in the 1990s are the bad patents that are at the center of the current patent troll crisis.

We can see this time lag in the Supreme Court's many patent cases of this past term. In the term's most important cases, the Court heard cases involving patents issued in 1994, 1998, 1999, and 2000. And the lag is apparent in my own practice, in which I represent technology companies accused of infringement: one recent case focuses on a 1998 system for updating a website using a fax machine, and another focuses on a patent filed in 1995 supposedly having invented the idea of trying to sell customers some nails when they say they want to buy a hammer.

The patent policy of the 1990s got us where we are today, with small businesses getting sued for using a scanner and startups getting sued for using an online shopping cart.

When we look back in fifteen years—when the patents issued today are the most common subjects of infringement litigation—what will we think of today's patent policy?

The Obama administration hopes that we will see a lot fewer bad patents and a lot less abusive patent litigation. But the effects won't be felt until long after the end of Obama's term.

### Weeding and Planting

All three branches of the federal government have a hand in the patent system—but their powers vary widely in type.

The U.S. Patent and Trademark Office (PTO) is part of the Department of Commerce, reporting to the president. PTO officials can decide whether or not to issue a patent but can't set broad rules applicable to swaths of issued patents. Once a patent is issued, the PTO doesn't have a further role in deciding its fate, unless the patent is the subject of some type of later administrative review initiated by a third party.

The judiciary has only a secondary effect on the sorts of

patents that are issued, but it has a large and direct effect on the patents out there already. Rulings like the Supreme Court's *Alice Corp. v. CLS Bank* opinion this past term invalidate large swaths of issued patents at once—something the PTO can't do.

The legislature can affect both litigation and the scope of new patents being issued. But legislative action on patent reform has been slow. A bill aimed at abusive patent litigation passed the House of Representatives last December, but its counterpart died in the Senate in May. The bill was reportedly killed as a result of objections from pharmaceutical companies, who didn't want anything to affect their patent portfolios, and members of the plaintiff's bar, who didn't want to see any federal fee-shifting legislation, even if it was limited to patent cases.

So the legislature is moving, but at a snail's pace. And while the judiciary can weed out thousands of bad patents at once, the executive branch can only plant seeds that it hopes will, over a matter of years, grow into a forest of strong, high-quality patents. How is the PTO going to do that?

## A San Francisco Lawyer Steps In

One key change that the administration has put in place is the appointment of a Bay Area patent expert as interim head of the Patent and Trademark Office. Michelle Lee began her career in San Francisco, clerking for Judge Vaughn Walker (Ret.) of the Federal District Court for the Northern District of California before working at Fenwick & West and Kecker & Van Nest. She then went in-house at Google.

At Google, Lee was responsible for overseeing both Google's defense against infringement claims and Google's protection of its own inventions.

At the PTO, Lee has led a number of initiatives directed at increasing the quality of the patents that are issued. "Issuing high-quality patents can play a significant role in curtailing abusive patent litigation over the long run," Lee told an audience at Stanford Law School in June of this year.

In that speech, Lee acknowledged that in the past, "despite our best intentions, we've had to accept trade-offs between quality and application backlog and pendency." Lee is too tactful to say what this really means: the PTO used to issue a *lot* of low-quality patents, in large part because they didn't have the resources to do anything else. And those are the patents that are now ending up in the hands of patent trolls.

## The Seeds for Better Patents

Lee has launched a number of programs that are increasing the quality of issued patents. For example, the PTO is offering to examine patents faster when the patentee includes with the application definitions of the important words and phrases used in the patent's claims. (That this incentive is needed shows how much the present system rewards vagueness.)

The PTO is also beginning to focus on "functional claiming": the practice of writing patent claims directed to the goal that the patented device is to achieve, rather than the structure that achieves those goals. The danger of functional claims is that they can limit whole areas of innovation and subject defendants to unpredictable claims. Claiming a monopoly on a particular machine or process for, say, securing communications on the Internet is one thing; claiming that you own any "means for securely communicating" (or claiming a "secure communications unit") is quite another.

Patent law traditionally solves this problem by requiring that clearly identified parts of the patent application identify a specific structure that's being claimed. The patent monopoly is then limited to that specific structure. So the claim might say "means for securely communicating," but there would be a clear link to a specific machine described elsewhere in the patent.

That's the theory, but the limitation has frequently been applied quite leniently by patent examiners. The rest of the patent may describe that "means for securely communicating" only in vague and general terms. What happens next, of course, is that anybody making or using a product performing the claimed *function* is accused of infringe-

ment by the owner of the patent that snuck through.

The PTO has now implemented a specific training program “to help its examiners rigorously examine so-called functional claims to ensure that claims are clear and can be consistently enforced.” This sort of initiative won’t help with the hundreds of thousands of vague patents already out there, but it may mean that when those patents expire, there won’t be a new crop of weeds in their place.

## Fueling Up the Crop Duster

While the executive branch can’t invalidate swaths of issued patents, it can help the judiciary do so. And that’s what it’s been doing.

For example, in *Alice Corp. v. CLS Bank*, the government, in a brief signed by PTO lawyers, argued for the Supreme Court to invalidate the patent at issue—which the PTO had itself issued years before—because it claimed an abstract idea. The same was true in *Association for Molecular Pathology v. Myriad Genetics*, in which the government argued that, even though the PTO had a long

history of issuing patents on isolated genomic DNA, patents claiming that DNA as an invention were invalid. The Supreme Court agreed in both instances.

While these decisions will lead courts to invalidate many issued patents in the near term, these positions will further help to make sure that the patents the PTO is planting today grow into a high-quality crop.

The Obama administration is making serious efforts toward reducing the number of bad patents issued to make sure businesses aren’t still dealing with vague and abstract patent claims years hence. The whole patent system would benefit from the success of the administration’s patent-quality initiatives—even if the effects of most of those efforts won’t be felt until today’s college sophomores are old enough to run for president themselves.

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