# IP Strategy
# Complete Intellectual Property Planning, Access and Protection
# 2011 Edition

**by Howard C. Anawalt**



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# About the Author

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Professor Anawalt is a graduate of Stanford University (B.A. 1960) and the University of California (Boalt Hall, J.D. 1964). He is a member of the bars of the states of California and Washington and of the United States Supreme Court. He has been a visiting scholar at Boalt Hall, Stanford, and most recently at the University of Washington, where he was associated with that school's Center for Advanced Study and Research on Intellectual Property. For a number of years he served as Director of Santa Clara Law School's High Tech Program. He has been Chair for the Computer Law Section of the Santa Clara County Bar Association. He has made numerous practical presentations on intellectual property to United States and foreign attorneys, inventors, entrepreneurs, and businesspersons. In recent years, Professor Anawalt has conducted intellectual property seminars and presentations in England, Denmark, Sweden, Austria, and Japan. In 2000 he served as Visiting Researcher at the Institute of Intellectual Property of Japan.

Professor Anawalt and his wife, Susan, live in Monte Sereno, California. They have enjoyed the special opportunity of spending the better part of four summers in Japan, where he directed the summer law school program for Santa Clara University and lectured on intellectual property.

Mr. Anawalt acknowledges a big debt of gratitude to his colleague, **Ms. Elizabeth Enayati Powers,** who was for years coauthor of this book.

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Several of the tables in this volume are prior works of Howard C. Anawalt and they are included in this volume with his permission. They are: a general intellectual property table (Major Types of Intellectual Property), a trade secret table (A Practical Overview of Software Trade Secrets), and copyright tables (A Practical Overview of Software Copyright; Major Copyright Concepts; the *Bando* Table; Comparison Patents and Copyright (Table); and the Software Type Table).

# Preface

## Introduction and Methodology

Intellectual property problems arise in innovative environments and fast-changing business and market conditions. This places a premium on timely and accurate advice. The intellectual property field now has many fine guidebooks, treatises, and legal information services. In addition, lawyers benefit from the availability of such retrieval services as Lexis, Westlaw, and others. This volume does not supplant these other resources, rather it is intended that *IP Strategy* function as a stand-alone guide for the general counsel, intellectual property advisor, or attorney who is called upon to provide daily answers and planning for any company or individual who operates in an innovative environment, whether high tech or low tech.

The author wishes to provide the practitioner or business planner with the tools to answer such essential questions as: "How do I protect this innovation?" "May I use this technology?" "How does my company effectively plan for intellectual property protection?" "How do business considerations relate to the legal constraints?"

Intellectual property is a field of law in which the client actually creates the property and other enforceable interests that are involved. The legal interests which are created concern technological advances and the marketability of products and services. The value of these interests depends on the public need or acceptance. Thus, intellectual property legal questions interact constantly with the realm of fact. It is truly a dynamic field of law because it operates in these areas of constant flux.

Intellectual property law presents hard and fast rules,[1] such as the need to record a transfer of a patent or copyright in order to have enforceability. It also encompasses principles that are more fluid in application, such as the doctrine of fair use in copyright.

The legal advisor in this field needs to be able to react quickly, like a player at the net in tennis, yet engage in long-term planning, like that same player when contemplating his entire match. These conflicting demands can both be met with an approach that integrates fundamentals of the law with practical considerations. The methods the author has adopted will allow the practitioner to look quickly for major points or slow down and examine matters with more consideration to detail. The methods used to accomplish this task are as follows:

**1. Intellectual property and contract law.** The author sets forth the basic doctrines of these two essential areas of law in the first two chapters in order to provide one brief core of law for constant and immediate reference.

**2. Sound theoretical basis.** Throughout the book, the author emphasizes the origins and underpinnings of legal doctrine and practical approaches that are discussed. For example, in Chapter 1, "Intellectual Property," the author sets out a sketch of the statutory basis of patent, copyright, and federal trademark law briefly and separately before launching into a discussion of the main useful doctrines. Doing this provides the practitioner with a stable basis for his or her analysis and opinions. The author also discusses the facts and background of selected major cases throughout the presentation. This accomplishes three things. First, it amplifies the understanding of the basis of the rules discussed. Second, it often provides the practical surroundings in which the case developed. This is useful in that these circumstances often provide the intellectual property problem solver with some "lateral thinking" as to how his or her problem may best be approached. Third, this background makes the matters more interesting.

**3. Brevity and impact.** It is not possible to cover all of the details of intellectual property in one volume. However, three major objectives are accomplished: (1) The foundations and major doctrines of the separate bodies of intellectual property law are set forth. (2) The author relates these bodies of law to each other to facilitate practical problem solving. (3) The author highlights rules and doctrines of major practical importance for planning and day-to-day activities.

**4. Guidelines.** The material is presented in a typical section-numbered outline format. In addition, the author recapitulates certain items in tables and guidelines. The guidelines set forth certain

rules, approaches, and pointers that the author has found to work in practice. Sometimes a guideline restates a "hard and fast" rule. At other times, a guideline may state a more general legal principle or approach that governs a broad area of concern. Finally, some guidelines state a flexible rule of thumb that may work well in practice, yet may not be a proposition that one would feel comfortable arguing is "the rule" to a court. This last class of guideline appears often enough in court decisions, by the way. One example, which comes up in the book, deals with copyright. This is the following observation by a district court judge: "The first axiom of copyright is that copyright protection covers only the expression of ideas and ideas themselves. . . . The second axiom of copyright is that the first axiom is more of an amorphous characterization than it is a principled guidepost."[2]

> **Guideline:**
> Throughout the book, certain matters are highlighted in boxes set in the text. Some guidelines restate rather clear rules; others, more general principles. Finally, some guidelines state useful rules of thumb.

**5. Practical application and forms.** The greater part of the book presents problem solving and planning in practical contexts. In this coverage, the author continues the discussion of decided cases and examples that may not have appeared in court. The author presents options and his suggested solutions, as well. The author expects that the users of this book, attorneys, innovators, and business persons, will find different solutions than some of those the author poses, and indeed hopes that this will be the case. The solutions that the author proposes provide examples and present definite strengths, but in intellectual property development, one should not expect that "one size fits all." Indeed, there will be instances where the author will be reckoned to be dead wrong. The author has had feedback from colleagues throughout his professional work and during the preparation of this book. The author hopes that users of the book will be willing to provide him with further feedback. The person who believes they have come up with the final infallible answer in handling legal matters will surely run up against some rude awakenings.

In sum, the author emphasizes strong grounding in the law. The author's presentation will be brief, and major emphasis will be placed on the resolution of practical problems in their realistic context.

# Foreword

## Guidelines

This publication is also available on Westlaw at database identifier: IP-STRAT

Throughout the text of *IP Strategy: Complete Intellectual Property Planning, Access and Protection,* the reader will find a series of Guidelines on specific aspects of intellectual property law and practice. These Guidelines are intended to help the practitioner provide better advice regarding the successful development and exploitation of intellectual property assets. The Guidelines are compiled here for the reader's convenient reference.

## Guidelines in Chapter 1: Intellectual Property

1. Intellectual Property includes certain creations of the human intellect that have value and that are given legal protection as a property right.
2. Clients prefer litigation-free intellectual property arrangements. When litigation appears to be a prospect, however, the client's first concerns will be: Availability of remedies and the real costs involved in litigating claims.
3. Significant antitrust concerns appear when an intellectual property developer moves from the *innovative stage* to the *market success stage.* Once market power is in sight, the developer needs to exercise great caution when it does one of the following: ties products, requires the licensee to deal exclusively with the licensor, requires a grantback of intellectual property developments from the licensee, fixes a resale price, and/or extends royalties beyond the patent life.
4. Security interests in intellectual property must be recorded with the Secretary of State to be perfected under Article 9 of the Uniform Commercial Code, and security interests in copyrights also must be recorded with the Copyright Office.
5. Perfecting security interests in copyrights requires filing the surety instrument with the Copyright Office.
6. The Copyright Act preempts a state's UCC provisions for perfecting a security interest in a copyright.
7. A patent grants an inventor rights to exclude others from practicing, selling, etc., an invention for a period of 20 years. It is granted solely by the USPTO after full disclosure of how the invention works and the best mode of putting it into practice, together with payment of fees. A patent may not, however, grant ownership of laws of nature or abstract principles.
8. A patent grants the right to exclude others from making, using, or selling and not the right to make, use, or sell the claimed invention.
9. The patent application must act as a template for teaching the public how to practice the claimed invention.
10. Biological materials required to carry out the claimed invention should be deposited prior to the earliest patent application filing date to assure preservation of all patent rights.
11. At the time a U.S. patent application is filed, the inventor has an affirmative duty to disclose in the patent application the best mode known to him or her of practicing the claimed invention.
12. An early U.S. filing date provides optimum assurances for obtaining a patent both in first-to-invent countries and in first-to-file countries.
13. An inventor is any individual who contributes to the conception or reduction to practice of the claimed invention.

14. Improperly naming inventors on a patent may affect the enforceability of that patent.
15. An invention must qualify as a process, machine, article of manufacture, composition of matter, or any improvement thereof, to be patentable.
16. The one-year statutory bar to patentability is triggered once an applicant offers the invention for sale or publicly discloses or uses the invention.
17. Ask the client to walk you through the problem that is solved by the claimed invention. Alert him or her to practical factors that may make something new (or not so new) or obvious (or not obvious) to people in the field. Then see what legal consequences begin to emerge.
18. Only a claim in an issued patent can be infringed; pending patent applications are not enforceable against infringers.
19. Prior to licensing or otherwise investing in an interest in a patent, verify ownership with the U.S. Patent Office.
20. Each individual associated with the filing and prosecution of a patent application has an affirmative duty to disclose all information known to be material to the patentability of the invention.
21. There is a significant distinction between *obtaining* a patent and *enforcing* a patent.
22. A design patent is available for any new, original, and ornamental design for an article of manufacture.
23. Someone can only infringe the *claims* of an issued, valid patent.
24. Both the patent examiner and the patent applicant have the same goal during prosecution: issuance of a valid, enforceable patent.
25. The claims of a patent define its scope. A patent may be infringed by making, using, selling, or importing a patented invention, or by inducing or contributing to any such actions.
26. Copyrights are limited exclusive rights owned by an author of original expressions that are fixed in a tangible medium of expression.
27. While creation of the copyright is automatic upon fixation, in order to enforce it, it must be *registered* and deposited with the Copyright Office. In order to preserve priority of a transfer of rights, the transfer must be in a writing which is *recorded* with the Copyright Office.
28. Copyright grants the holder rights to control copies and derivative works of the particular *expression* embodied in the work. Copyright does not grant rights to exclude others from using processes as patent law does.
29. The scope of copyright protection has changed greatly to encompass computer technologies. However, the underlying doctrines remain relatively unchanged and consistent with past decisions.
30. *Apple Computer, Inc. v. Microsoft Corp.* teaches that software developers cannot expect copyright protection for their general stylized images on the screen, unless these rise to a level of creativity that approximates that of a cartoon character. The federal courts are divided on this issue, so counsel will need to check the rulings of the circuit where the client seeks protection.
31. When dealing with a potential copying, ask the client to answer: Did you originate this? Will you profit or do you intend to profit from the original impulse present in some other author's work? Are you "comfortable" with the actual use you will make of information you have learned from another's work? Indications that your client did not originate the innovative aspect, intends to profit, and is uncomfortable, point to making a careful inquiry into whether the client will go beyond "fair" or "transforming" uses of another's work.
32. Ultimately the client needs to take a great deal of responsibility for deciding whether a proposed use is either a fair or transformative one, as opposed to an invasion of another's right. The client usually has knowledge of the industry customs and the degree of originality which he has supplied. Ask the client: "Is there an essential element of change in what you have done that does not rely primarily on the other" work?"

33. When making copies of a copyrighted work, judge whether timeliness or decision making pressures really exist. If they do not, then one should generally assume that obtaining permission will be the better course. Do not allow convenience or avoidance of expense alone to dictate copying.
34. Framing involves a direct importation of another's content into one's own work or Internet production. Framing is likely to be judged not a fair use when it generates a profit for the framer.
35. A trademark is a word, symbol, or other legally sufficient indicium that indicates to the consumer both the source or origin of the goods to which the indicium is applied or the services with which the indicium is associated, and the quality associated, and the quality associated with those goods or services.
36. One of the purposes of trademark laws is to protect the public against confusion.
37. Federal trademark registration provides national rights against confusingly similar adopted marks, while state trademark registration only provides rights against confusingly similar marks adopted in the state of registration.
38. Trademark rights arise as a result of use, not as a result of registration.
39. A trade secret or "know how" must be sufficiently *identified* to obtain legal protection. Trade secret holders must exercise *vigilance* in making their claims known to those obligated to protect them.
40. Value or competitive advantage rather than invention per se constitutes the essence of a trade secret. Consequently, the client should be urged to identify *what is important* to its operations. That determination becomes the key to identifying the secrets worth protecting.
41. Counsel should firmly advise: Review market information actively with key personnel, lest invention and other business opportunities be irretrievably lost.
42. While job changes within an industry are normal, employers should ask new employees about past work assignments to avoid conflict with a former employer's interests.
43. Help the client to determine when it will likely be important to preserve the attorney-client privilege. Operate on the assumption that attorney acts may waive the client's privilege.

## Guidelines in Chapter 2: Contracts Controlling Intellectual Property

1. Contracts may be used as a basic means of protecting ideas and their products. Custom or a pattern of dealing may help to explain terms, but counsel must insist on adequate definition of essential terms when the contract is being formed.
2. The acquiring party will usually be primarily concerned with the ultimate *value* of the technology. The providing company will usually be primarily concerned with the relative *costs and advantages* to it.
3. A party should examine such matters as potential costs or savings, the impact of delay, market conditions, and technical difficulties before entering into a contract.
4. As negotiations proceed, a party should be clear about the *main* points to be achieved in an intellectual property contract. Help the client to: prioritize, aim for realistic goals, maintain a firm position, and not to over-rely on potential legal remedies.
5. Prior transactions and contracts provide excellent resources for new situations. Use these resources. Adapt tried and true approaches. But do so with the following caveat in mind: Think through each transaction afresh!
6. Distinguish a contract to assign from an assignment itself. An assignment directly conveys the patent rights; a contract does not.
7. The development agreement should cover contemplated aspects of ownership, licenses and their scope, rights to derivative works and products, research, trade secrets, and confidential relationships.

7A. Start-ups are vulnerable. They are favored by lore but not law. While legal norms protect all economic entities in theory, the law cannot often protect the start-up from the superior bargaining strength of the larger established companies.

7B. Who owns basic processes? Who owns identified IP? What incidental licenses are to be granted? Confidentiality obligations? Perfecting rights? Surprise developments? Obligations to disclose? Third party claims?
8. Pay careful attention to the terms of employment and consultation contracts. They usually determine invention rights.
9. Use a noncompetition clause only in cases of identified need, and then draft it carefully in relation to that need.

## Guidelines in Chapter 3: Day to Day Work in the Inventive Environment

1. Conform the legal advice to the realities of the client's working environment.
2. Provide clear advice concerning intellectual property options, including recognition of practical aspects such as market considerations, licensing options, company image, and work force morale.
3. Establish effective note-keeping procedures consistent with the inventor's work habits and environment.
4. With employment changes one ought generally to become informed, use contracts to advantage, and follow up. This will be true for both the employer and employee.
5. The employee who moves and the new employer need to pay special attention to: (1) specific working conditions that involve secrets and opportunities, (2) apply general concepts of secrecy to specific environments, and (3) legal resources in the event of both founded and unfounded claims.

## Guidelines in Chapter 4: Planning: Integrating Legal Advice to Promote Inventiveness

1. Consider the entire inventive environment when integrating legal advice into an intellectual property protection plan.
2. Consider and guard against hostile intellectual property claims during the development process by licensing, alternative design, legal opinions, and other actions.
3. Small companies often require efficiency and simplicity in their intellectual property protection.
4. Special problems are presented by companies that are starting up, experiencing fast growth, or relying heavily on innovation, new outside investment, or personnel from other companies.
5. Advise personnel to depart former employment as amicably as possible, being careful to leave behind work pertaining to trade secrets.
6. Become acquainted with the workforce and with the nature of its inventive work.
7. *Effective* legal protection varies according to the type of technology. Counsel must understand an invention's technology in order to protect it, to assist in market decisions, and to grant or acquire licenses on appropriate terms.
8. Invention rights granted or withheld should be spelled out in explicit terms in any development agreement, license, or grantback document.
9. Effective protection of semiconductor inventions demands a solid understanding of the underlying technology.
10. Patents dominate intellectual property in semiconductors. Each new product generates many potential claims, forcing clients to review, carefully and repeatedly, development and licensing decisions.
11. Biotechnology is patent-oriented. Health concerns of the public will likely stimulate legislation and case law precedents affording access to and controlling facets of the technology.
12. The advisor must gain technical understanding, yet not allow details or a false sense of technical expertise to dominate his or her legal work. Effective legal advice looks to a broad set of variables, of which the technical is an important subset.
13. Advise whether reverse engineering is permissible, and explain its limits, so that costly mistakes may be avoided.

14. If the company does not market a product that embodies the invention, it is usually best to choose intellectual property protection that most fully protects strict in-house use. This will often be trade secret protection.
15. Licenses that are highly selective or that impose severe restrictions on field of use should be reviewed for antitrust implications.
16. Take the time to identify the invention and to understand the field of technology in order to plan for protection.
17. Advantages of cooperative projects include cross-fertilization, access to new areas of work, use of existing advanced technology, and access to new products at advanced stages of development.
18. Successful use of technology requires study, integration of technology, long-term planning, and workforce preparation.
19. Establish a regular program of reviewing intellectual property developments and goals.

## Guidelines in Chapter 5: Strategy and Dispute Resolution

1. Successful handling of rival intellectual property claims depends on understanding the strength of the legal claim, the impact of remedies, and the willingness of the client to accept risks.
2. A patent portfolio offers a strong means of legal defense and enhances access to licensing on favorable terms.
3. Pay attention to the client's economic and business concerns when working out the strategy.
4. One can minimize legal claims by screening and supervision: A client can search for patents, eliminate access to copyrighted material, supervise reverse engineering, and inquire regarding potential trade secrets.
5. Claimants can employ a range of forceful remedies: injunctions, actual and exemplary damages, and attorney fee awards. This makes early review of remedies a top priority.
6. Inventors and developers must investigate other parties' intellectual property claims.
7. An attorney may properly stress public policy limits and factual weaknesses in any and all intellectual property claims.
8. The client chooses the response to the hostile claim; the attorney's obligation is to facilitate a fully informed decision.
9. Clients need to consider economic and market factors as well as legal defenses when choosing a response to legal claims.
10. Resistance to patent claims will usually involve especially high risks.
11. Usually adversaries should be encouraged to communicate with each other fully during the course of litigation.
12. Review the substance of all communications concerning intellectual property claims; do not send standard demands without review.
13. During discovery the client needs to (a) respond accurately and (b) establish an internal process for handling discovery.
14. Much effective dispute control occurs before parties actually become adversaries.
15. Attorneys can often facilitate dispute resolution by maintaining flexibility and encouraging their clients to be creative in seeking alternatives to litigation.
16. Begin dispute resolution with an assessment of advantages and disadvantages, including an honest evaluation of the financial, marketing, and strategic costs associated with each ADR process, as well as with litigation.
17. Traditional litigation invites many resolutions prior to trial. It also offers opportunity to establish some degree of precedent.
18. Mediation provides a resolution process for parties expecting to engage in a long-term or recurring relationship.
19. The mini-trial at best provides an environment for early dispute settlement, and at least provides information that parties can use in performing a risk analysis of the dispute.

20. The damages limitation clause should not be an attempt by one party to *avoid* damages, but should reflect the parties' joint decision to encourage settlement through control over the *amount* of damages.

# IPS Commentary 2011

## *Patented Learning*

During oral argument in the Bilski case, Justice Breyer asked counsel whether his "great, wonderful, really original method of teaching antitrust law" might be patentable.[1] The holding of the case surely precludes a patent for a lecture or a Socratic teaching style. But can one patent other teaching methods or books?

***Books.*** Let's start with books. Printed books have contained features in addition to text for a long time. These include illuminated letters, illustrations, coloring books, pop up books, books of paper doll cut outs, etc. Recorded books have been around at least since Congress passed legislation to provide talking books for the blind in 1931.[2] A number of patents issued for enhanced books before the computer revolution. One issued in 1949 claimed a device that would "automatically render a musical composition relating to a story when the book is opened."[3] Today, this would called an "app" (application) if implemented by a computer.

Computers, cellphones, texting, emails, and the speed of transactions have changed the ways we live and relate.[4] This includes the way we read. A recent search of the Westlaw patent database for the phrase "electronic book" returned more than 10,000 documents. Tweaking the search brought it down to 125 patents in the last three years; 60 of those in 2010 and 2011. A patent application for an "electronic book" filed in 2011 observes: "Not since the introduction of Gutenberg's movable typeset printing has the world stood on the brink of such a revolution in the distribution of text material. The definition of the word " book" will change drastically in the near future."[5] These changes are part of a social and technological background that cannot be ignored.

***Teaching.*** On March 1, 2011, the USPTO issued a patent for a "system for educational instruction" which employs learning cards of varying shapes and colors.[6] Colors correspond to concepts and shapes correspond to the type of terminology which is used. The cards are to be displayed on panels in front of a class or on a computer.

Using shapes and colors to convey concepts has been around for years. One sees the principle at work in traffic signs: an octagonal red sign means "stop," and a triangular yellow one means "danger." Teachers frequently use visual associations, including colors and shapes, to help students learn. A 1996 study discusses such methods in teaching a foreign language,



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[1] Bilski v. Kappos, 130 S. Ct. 3218, 177 L. Ed. 2d 792, 95 U.S.P.Q.2d 1001, 2010-1 U.S. Tax Cas. (CCH) P 50481 (2010). The decision and its implications are analyzed in completely new versions of § § 1:19 and 1:25.

[2] 2 U.S.C.A. 135a, 135b.

[3] CHILD'S BOOK, US PAT 2484896, 1949 WL 20934 (U.S. PTO Utility).

[4] An recent book on the brain leaves demonstrates that what we do with our brains *actually remodels* them. John S. Allen, *The Lives of the Brain* (Harvard, 2009).

[5] ELECTRONIC BOOK WITH INFORMATION MANIPULATION FEATURES, US PAT APP 20110047495, 2011 WL 658543 (U.S. PTO Application).

[6] SYSTEM AND METHOD FOR EDUCATIONAL INSTRUCTION, US PAT 7896651, Saldutti, Catherine, 2011 WL 698396 (U.S. PTO Utility, Mar 01, 2011)(NO. 11/729507). The USPTO has issued interim *Bilski* guidelines. in a memo available online at bilski__guidance__27jul2010.pdf. The examiner must have concluded that the application satisfied *Bilski* or the guidelines.

including "moving differently shaped and colored cards around that represent different parts of speech and grammatical functions."[7] One wonders how this teaching method patent cleared the novelty and non-obviousness requirements at the USPTO.

A teacher who uses cards or shapes now faces the question: "Can I use these cards or will I be sued?" The patent itself gives little guidance. Claim number 1 claims a "system for educational instruction comprising: a plurality of sets of learning cards, each set corresponding to a particular subject matter area, wherein each set of the plurality of sets of learning cards includes a plurality of learning cards, each card including at least one color disposed thereon corresponding to a particular conceptual category; a first education panel; and, a second education panel; wherein each learning card may be coupled to the first education panel or second education panel during the teaching of a lesson."[8] The assignee of the patent, Teachers for Learners, appears to market its products energetically and claims a strong track record.[9] Thus, there is reason to expect that the patent will co-opt various uses of these traditional teaching methods, whether by effective marketing through school administrators, or by making legal demands.

It seems unlikely that this teaching patent would survive a court challenge. Like the hedge fund process struck down in Bilski, the patent directs human actors. It also provides that "in another exemplary embodiment of the invention, the learning cards and panels are provided on a computer system." Such a computerized implementation merely tacks on "insignificant post-solution activity," which the Supreme Court indicates is insufficient to create patentable subject matter. Justice Stevens commented that granting patents that control human actions such as dancing, doing business, or teaching, "serves to hinder rather than promote innovation and usurps that which rightfully belongs in the public domain."[10]

***Patenting IP practice.*** In December 2010, not long after the Bilski decision, several inventors filed a patent application claiming "a computerized system for an intellectual property (IP) framework, including: a strategic planning computer module for formulating business strategies for creating and managing inventions and IP rights."[11] The system is to be performed with a "computer module." That phrase suggests that a good deal of "process" occurs, since a computer is involved. Yet, as Judge Mayer observed in the Federal Circuit, "Through clever draftsmanship, nearly every process claim can be rewritten to include a physical transformation. Bilski, for example, could simply add a requirement that a commodity consumer install a meter to record commodity consumption."[12]

The wide range of patentability creates an expensive feedback loop. A company or individual that wishes to survive must spend much money applying for patents or defending against patent litigation. Professor David Berry noted that 2005 a survey of intellectual property attorneys found that "the midpoint expected cost for significant patent litigation … nationwide



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[7] Elke Schneider, Teaching Foreign Languages to At-Risk Learners, http://www.cal.org/resources/digest/schnei01.html.

[8] The full claim is one 147 word sentence. The Flesch-Kincaid reading ease program rated claim 1 as zero on a 100 point reading scale where 100 is most readable. It indicated that sentence was aimed at a grade level of 63 years of education; law school is 19. The program is available on many word processors. This commentary scored an ease of 41 and a grade level of 12.

[9] Web sites for the assignee, Teachers for Learners, and its partner, EduChange, indicate that have several federally registered trademarks, including EduChange, and "Concept Construxions." The latter, Construxions, "is a fully articulated and patent-pending instructional system for teaching academic vocabulary," apparently the system now covered by the patent. The patentee, Catharine Saldutti, has been President of EduChange since 2000. Teachers__for__Learners, http://www.teachersforlearners.com/#/Home EduChange Home, http://www.educhange.com/home__new.htm.

[10] Bilski v. Kappos, 130 S. Ct. 3218, 3235, 177 L. Ed. 2d 792, 95 U.S.P.Q.2d 1001, 2010-1 U.S. Tax Cas. (CCH) P 50481 (2010). Concurring opinion.

[11] United States Patent Application,20100332285 Dunagan; Deborah et al. December 30, 2010. The assignee is IBM.

[12] In re Bilski, 545 F.3d 943, 1009 (Fed.Cir.2008), dissenting opinion.

was $3.0 million for each party from the initiation of the action through the end of discovery, and over $4.5 million per side through trial and appeal.[13] Justice Stevens' concurrence in Bilski emphasized that the expense of patent litigation can stifle both innovation and competition.[14]

***Patent policy.*** The Bilski case stabilized general principles of patentability under the present Patent Act. However, it did not resolve fundamental policy questions. In March 2011, SB 23, the "America Invents Act," passed the Senate with near unanimity. The bill would amend the Patent Act to change the United States to a "first to invent" system. It would also create a modest "pilot program" withint the USPTO to review the validity of business methods patents.[15] The reforms proposed in SB 23 are, in my opinion, deeply inadequate, for they fail to address the overarching policy issues of patent law.

The narrowness of congressional inquiry is tied into the dominating influence of corporate lobbying on Congress. This phenomenon has long been commented on and assessed. These assessments include scholarly work in intellectual property. For example, Professors Jay P. Kesan and Andres A. Gallo analyzed lobbying related to the proposed Patent Reform Bill of 2007. They concluded that: "Congress does not have a point of view independent from the stakeholders in the patent system. Rather, their votes on the Patent Reform Act of 2007 reflect the participation and preferences of major stakeholders, such as the information technology industry, the pharmaceutical industry, the law associations, and the manufacturing sector."[16] These "stakeholders" do not represent the full spectrum of the public interest.

The Constitution allows patents only as a reward to one who enriches the public through an inventive contribution.[17] However, to a large degree, United States patent law functions primarily to enhance the value of ownership rights, rather that provide an incentive for public advancements. If patents are to promote the constitutional goal, Congress needs to revise the Patent Act thoroughly, so that patents will facilitate exchange of ideas and commerce, while providing limited rewards to inventive activity.

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*Contact Note:* The author can be reached for comment or suggestion by email at h@anawalt.com. Prior commentaries are collected in Appendix G.



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[13] David C. Berry, Harnessing the "Sport of Kings": Using Pre-Dispute Arbitration Agreements to Control Discovery in Patent Disputes, 9 T.M. COOLEY J. PRAC. & CLINICAL L. 1, 1-2 (2006).

[14] Bilski v. Kappos, 130 S. Ct. 3218, 3253, 177 L. Ed. 2d 792, 95 U.S.P.Q.2d 1001, 2010-1 U.S. Tax Cas. (CCH) P 50481 (2010).

[15] Key points of the proposed legislation are summarized in a Senate "Manager's Report available on Senator Patrick Leahy's website. http://leahy.senate.gov/search.:"PRESS-ManagersAmendment-OnePager.pdf".

[16] Jay P. Kesan & Andres A. Gallo, The Political Economy of the Patent System, 87 N.C. L. REV. 1341, 1413 (2009). See, also, Susan K. Sell, TRIPS and the Access to Medicines Campaign, 20 Wis. Int'l L.J. 481 (2002); Robert Weissman, A Long Strange TRIPS: The Pharmaceutical Industry Drive To Harmonize Global Intellectual Property Rules, and the Remaining WTO Legal Alternatives Available to Third World Countries, 25 U. Pa. J. Int'l Econ. L. 1079 (2004). The bill's author, Senator Leahy, obliquely acknowledged this influence, noting the the "America Invents Act has "received support from a diverse cross section of stakeholders and industry. received support from a diverse cross section of stakeholders and industry," March 7, 2011.

[17] See § 1:3.

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