

Boston University School of Law

Scholarly Commons at Boston University School of Law

Faculty Scholarship

8-2005

Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman

Michael J. Meurer

Boston University School of Law

Craig Allen Nard

Follow this and additional works at: https://scholarship.law.bu.edu/faculty_scholarship



Part of the [Law and Economics Commons](#)

Recommended Citation

Michael J. Meurer & Craig Allen Nard, *Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman*, in 93 *Georgetown Law Journal* 2033 (2005).

Available at: https://scholarship.law.bu.edu/faculty_scholarship/2480

This Article is brought to you for free and open access by Scholarly Commons at Boston University School of Law. It has been accepted for inclusion in Faculty Scholarship by an authorized administrator of Scholarly Commons at Boston University School of Law. For more information, please contact lawlessa@bu.edu.





DATE DOWNLOADED: Sun Nov 13 17:14:09 2022

SOURCE: Content Downloaded from [HeinOnline](#)

Citations:

Bluebook 21st ed.

Michael J. Meurer & Craig Allen Nard, Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman, 93 GEO. L.J. 2033 (2005).

ALWD 7th ed.

Michael J. Meurer & Craig Allen Nard, Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman, 93 Geo. L.J. 2033 (2005).

APA 7th ed.

Meurer, M. J., & Nard, C. (2005). Patent policy adrift in sea of anecdote: reply to lichtman. *Georgetown Law Journal*, 93(6), 2033-2036.

Chicago 17th ed.

Michael J. Meurer; Craig Allen Nard, "Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman," *Georgetown Law Journal* 93, no. 6 (August 2005): 2033-2036

McGill Guide 9th ed.

Michael J. Meurer & Craig Allen Nard, "Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman" (2005) 93:6 *Geo LJ* 2033.

AGLC 4th ed.

Michael J. Meurer and Craig Allen Nard, 'Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman' (2005) 93(6) *Georgetown Law Journal* 2033

MLA 9th ed.

Meurer, Michael J., and Craig Allen Nard. "Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman." *Georgetown Law Journal*, vol. 93, no. 6, August 2005, pp. 2033-2036. HeinOnline.

OSCOLA 4th ed.

Michael J. Meurer & Craig Allen Nard, 'Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman' (2005) 93 *Geo LJ* 2033

Provided by:

Fineman & Pappas Law Libraries

-- Your use of this HeinOnline PDF indicates your acceptance of HeinOnline's Terms and Conditions of the license agreement available at

<https://heinonline.org/HOL/License>

-- The search text of this PDF is generated from uncorrected OCR text.

-- To obtain permission to use this article beyond the scope of your license, please use:

[Copyright Information](#)

Patent Policy Adrift in a Sea of Anecdote: A Reply to Lichtman

MICHAEL J. MEURER* AND CRAIG ALLEN NARD**

We enjoyed reading and thinking about Doug Lichtman's response¹ to our article on the doctrine of equivalents (DOE),² especially his eloquent formulation of the essential policy issues. Apparently, the three of us share roughly the same approach to economic analysis of the DOE. Nevertheless, Lichtman fears we have overestimated the skill of patent attorneys and lost track of the crucial role the DOE plays in augmenting patent scope and bolstering incentives to invent. We write this reply to highlight two largely empirical questions that we disagree about, and explain how these disagreements lead us to very different policy conclusions.

Lichtman contends that the DOE is "first and foremost a doctrine about patent scope," and that we are wrong to rely so heavily on institutional considerations when formulating our policy recommendations.³ True, we are more concerned than he about the administrative costs of the DOE, but claim scope is never far from sight, and is always in play in our analysis.⁴ Naturally, we think that we have struck the right balance between institutional and scope concerns, and do not understand why incentives should be the "dominant consideration"⁵ in DOE policy analysis.

Whether scope should drive DOE policy depends on the answers to empirical questions about the incentive effect of the doctrine. Unfortunately, there is no solid evidence assessing the effect of the DOE on expected profit to patent owners.⁶ We argue that claim refinement can achieve much the same scope that patent owners obtain through the DOE. We argue that restriction of the DOE does not greatly increase the cost of refinement. Lichtman disagrees on both points. Resolution of these disputes calls for hard data rather than the anecdotes

* Professor of Law, Michaels Faculty Scholar, and Director, Institute for Business, Law and Technology, Boston University School of Law; meurer@bu.edu. © 2005, Michael J. Meurer and Craig Allen Nard.

** Tom J.E. and Bette Lou Walker Professor of Law, and Director, Center for Law, Technology & the Arts, Case School of Law, Case Western Reserve University; craig.nard@case.edu.

1. Doug Lichtman, *Substitutes for the Doctrine of Equivalents: A Response to Meurer and Nard*, 93 GEO. L.J. 2013 (2005) [hereinafter "*Substitutes*"].

2. Michael J. Meurer & Craig Allen Nard, *Invention, Refinement and Patent Claim Scope: A New Perspective on the Doctrine of Equivalents*, 93 GEO. L.J. 1947 (2005) [hereinafter "*Refinement*"].

3. *Substitutes*, *supra* note 1, at 2014.

4. For example, Propositions 2 and 6 attend to scope and incentive effects in the context of pioneer inventions and later-developed technology.

5. *Substitutes*, *supra* note 1, at 2025.

6. Stock market event studies are one way to generate such evidence. In theory, one could trace the impact of landmark DOE cases on the value of stocks of patent owners. For an effort along these lines, see Glynn S. Lunney, Jr., *Direct and Indirect Stock Price Reactions to Patent Decisions*, available at <http://www.bu.edu/law/news/ftp/papers/PatentEvent.pdf> (last visited Oct. 21, 2005).

that both sides rely on. We do, however, have evidence that, overall, patent protection plays a relatively modest incentive role in most industries.⁷ Furthermore, our (also anecdotal) impression from the case law is that the DOE is used not so much by pioneers or other important inventors, but mainly by minor inventors who would not have received a patent if the obviousness standard were more rigorously applied.

We support limited use of the DOE, notably for pioneer inventors who are likely to face high refinement costs. We think this policy choice mitigates most of the possible harm to incentives. At the same time, we believe that restricting the DOE plays a positive incentive role when it comes to follow-on innovators. We are surprised that Lichtman pays scant attention to the incentives faced by those seeking to improve patented technology.⁸ Our refinement theory balances refinement cost savings and innovative incentives created by the DOE against the harm to competition and rent-seeking costs created by the doctrine. As Suzanne Scotchmer writes, “the challenge is to reward early innovators fully for the technological foundation they provide to later innovators, but to reward later innovators adequately for their improvements and new products as well.”⁹ We believe that the refinement theory meets this challenge.¹⁰

Our second basic disagreement with Lichtman relates to his preference to simply let the patent applicant control the choice between claim refinement and reliance on the DOE. Instead, we prefer the Federal Circuit’s approach that screens cases and filters out the doctrine in certain circumstances. Lichtman’s approach is appealing because the applicant has an incentive to minimize the cost of securing its patent rights and the best information about the cost of refinement. Reliance on the applicant’s choice makes policy sense when the applicant’s objectives are closely aligned with social objectives. We object to this approach because we believe, as an empirical matter, that private and social objectives often are misaligned.

We suspect that applicants often fail to fully refine their claim language because the DOE acts as a backstop that allows them to behave strategically vis-à-vis the examiner or their competitors.¹¹ There is some empirical evidence that firms engage in strategic patent prosecution. For example, firms appear to

7. See James Bessen & Michael J. Meurer, *Lessons for Patent Policy from Empirical Research on Patent Litigation*, 9 LEWIS & CLARK L. REV. 1, 6–7 (2005); see generally Wesley M. Cohen, Richard R. Nelson & John P. Walsh, *Protecting Their Intellectual Assets: Appropriability Conditions and Why U.S. Manufacturing Firms Patent (or Not)* (Nat’l Bureau of Econ. Research, Working Paper No. 7552, 2000).

8. See Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 COLUM. L. REV. 839, 857–59, 909–10 (1990) (explaining when the DOE should be restricted to reward improvement innovation).

9. Suzanne Scotchmer, *Standing on the Shoulders of Giants: Cumulative Research and the Patent Law*, 5 J. ECON. PERSP. 29, 30 (1991).

10. We do not consider all the issues required to fully analyze the allocation of patent rewards between early and later inventors. But our model adds a new perspective to the analysis of this issue in the context of the doctrine of equivalents.

11. *Id.* at 1974.

extend prosecution through continuation practice when a patent is likely to be subject to litigation.¹² Furthermore, the number of claims and number of citations included in patents are correlated with firm size and the number of patents held by a firm.¹³ This admittedly indirect evidence shows that patent prosecution is not entirely guided by the nature of the invention—prosecution is guided by market conditions as well. Thus, if applicants follow prosecution strategies guided by considerations other than cost minimization, we worry that their decision to rely on the DOE will cause social harm.

Importantly, minimization of the cost of securing patent rights is not the whole story. Because of the notice function of patent claims, optimal patent policy sometimes requires applicants to engage in costly refinement even though reliance on the DOE might be cheaper.¹⁴ Lichtman makes good arguments that the notice theory is unimportant.¹⁵ Once again, he does not challenge the soundness of the theory, but casts doubt on its empirical significance. Lacking data to quantify the magnitude of notice costs, we take comfort in the intuition of patent judges and the standard view in law and economics that fuzzy property rights frustrate investment decisions and impede transactions.¹⁶ Independently, constraints on the DOE are valuable because they make summary judgment of non-infringement more likely. This is especially important for alleged infringers who face opportunistic or anti-competitive patent suits. Summary judgment in favor of the defendant reduces the defendant's litigation cost and the size of the threat posed by bad patent lawsuits.¹⁷ Finally, we offer specific rebuttal to the two arguments we believe are the strongest. First, Lichtman argues that firms do not read patents, and thus better claim refinement will not affect notice costs. Plenty of anecdotes support his view, but the limited evidence indicates that many firms do read patents.¹⁸ Second, he argues that the

12. John R. Allison, Mark A. Lemley, Kimberly A. Moore & R. Derek Trunkey, *Valuable Patents*, 92 GEO. L.J. 435, 457–59 (2004).

13. Bessen & Meurer, *supra* note 7, at 21.

14. Recall that we identify three social costs created by fuzzy patent scope: “opportunistic and anti-competitive patent suits; licensing problems; and inadvertent infringement.” *Refinement*, *supra* note 2, at 1984 n.190.

15. *Substitutes*, *supra* note 1, at 2021–24.

16. See *Refinement*, *supra* note 2, at 1954 n.30; ROBERT COOTER & THOMAS ULEN, *LAW AND ECONOMICS* 100 (1988).

17. Empirical evidence suggests that patent litigation imposes a growing tax on innovation. See James Bessen & Michael J. Meurer, *The Patent Litigation Explosion* (Boston Univ. School of Law, Working Paper No. 05-18, 2005), available at http://papers.ssrn.com/abstract_id=831685. But it is not clear how much help is provided by the Federal Circuit's move to constrain the DOE.

18. See Charles Oppenheim, *Patent Information Usage in British Small and Medium Sized Enterprises* (2000), available at <http://scientific.thomson.com/knowtrend/ipmatters/bti/8199738> (reporting that survey results revealing that 56.4% of small and medium sized British enterprises read patents, and 78% of these did so “[t]o check that a product does not infringe an existing patent”). Thus, 44% (44.0% = 56.4% x 78%) of these firms read patents to avoid infringement. Admittedly, it is not clear that the British experience matches the American experience. The best evidence on behavior in the United States comes from Cohen, *supra* note 7, at 1–19, who find that 49.1% of U.S. respondents said patents were a “moderately” or “very important” source of information on a rival's research and development.

costs of increased refinement are borne by all applicants, but the benefit in reduced notice cost derives from the relatively small fraction of patents that turn out to have economic value. Quite true. Likewise, restriction of the DOE may not increase refinement costs all that much because applicants understand that any one patent is not so likely to be commercialized. We predict that empirical research will some day show that the net social gains are higher when patents provide better notice.