

### Identifying Information

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### Paper Information

Title:	Expanding the Patent Office's Regulatory Footprint: A Proposal for Reimbursing Invalidation Challenges
Abstract:	<p>The patent system's apparent resilience to changes in the law, and the persistent complaints about abusive patent assertions, might reflect the futility of patent reform efforts over the past several decades. But there may be another factor contributing to the patent system's resistance to change: the regulatory coverage provided by the two primary regulatory entities in the patent system—the federal courts and the U.S. Patent &amp; Trademark Office (PTO)—may be inadequate. Because the regulatory footprint of the federal courts is limited by Article III considerations, the possibilities for expanding the PTO's regulatory footprint warrant greater attention. Given its limited mandate of examining applications and granting patents, the PTO has taken a hands-off approach to patents once they are issued. The PTO's post-issuance passivity has left the job of policing abusive assertions—and by extension, patent quality—predominantly to accused infringers, for whom the high cost of validity challenges often encourages the payment of nuisance settlements, which makes abusive assertions profitable and promotes the further procurement and assertion of patents in problematic ways. To enable and induce the PTO to take a more active role in policing abusive assertions, this Article draws from the lessons of the auto insurance industry to propose that Congress should require the PTO to collect an annual, individualized fee on each patent-in-force—which would be set according to the risk of invalidation of that patent—to fund a program to reimburse the expenses incurred by accused infringers who prevail in challenging a patent at the PTO's administrative tribunal, the Patent Trial and Appeal Board. This arrangement would help create a regulatory feedback loop that could expand the PTO's regulatory footprint in the patent system, with several potential benefits: (1) it may further encourage challenges to weak patents, as an alternative to paying nuisance settlements; (2) it may allow the PTO to indirectly regulate or influence the behavior of patentees with respect to post-issuance activities such as assertion; (3) it may provide a mechanism for the PTO to incentivize patentees to adopt quality-enhancing prosecution habits; and (4) it may create a source of fiscal pressure for the PTO that may prompt it to make operational changes to improve patent quality, in the face of possible opposition from its patentee "customers."</p>