

# REMEMBERING THE PUBLIC'S INTEREST IN THE PATENT SYSTEM - A POST-GRANT OPPOSITION DESIGNED TO BENEFIT THE PUBLIC

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## I. INTRODUCTION

Patents are supposed to benefit the public. The Constitution implicitly expresses this intent [1] and the Supreme Court has so interpreted it. [2] Yet the current patent system falls miserably short of realizing this purpose in several critical respects. One glaring example of the system's failure is the absence of a timely, inexpensive mechanism for invalidating the high number of bad patents being issued. As a result of this void, the public is suffering and the need for reform is dire.

The first step in any significant patent reform proposal should be consideration of the constitutional basis for granting patents. Article I, Section 8, Clause 8 states that Congress shall have the power "to promote the progress of useful arts ... by securing for limited times to inventors the exclusive right to their discoveries." [3] Implicit in this clause is an emphasis on a system having limited scope designed to benefit the public -- not on an overly expansive system preoccupied with the rights of inventors, corporations or other entities. Thomas Jefferson, the chief architect of the original patent system, [4] espoused this view by resolutely stating that patents are for "the benefit of the public" and unequivocally rejecting the theory that inventors have natural rights in their inventions. [5] And the Supreme Court recognized that Congress' power to adopt a patent system is not a blanket one, but is instead limited by the Constitutional intent of promoting society's welfare. It stated, "Congress ... may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly [system] without regard to the ... advancement or social benefit gained thereby." [6] Thus, Congress may adopt a patent system to promote innovation useful to the public, but the system must not exceed its public-centered constitutional aim.

So how is the current patent system exceeding this constitutional restraint? It is allowing too many bad patents to prevail, without offering an inexpensive and timely mechanism for invalidation. Therefore, by virtue of omission, it is "overreach the restraints imposed by ... constitutional purpose," ignoring the "social benefit" gained by granting patents, and overlooking the fundamental fact that patents are for the "benefit of the public." [7]

The problems associated with the existence of bad patents and the need for an effective, inexpensive vehicle for challenging them are nothing new. Over the past twenty-five years, several laws were proposed and passed intending to remedy these ills. [8] Most recently, Congress introduced a bill aimed at curbing the adverse effects of bad patents, [9] and prominent policy organizations [10] and commentators [11] advocated for, *inter alia*, the adoption of a new post-grant opposition as an antidote to the poison of bad patents. While these recent developments are certainly promising, without due attention given to the "advancement or social benefit gained thereby," such measures may fall upon deaf ears or fail to reform the patent system in a manner that furthers the constitutional mandate of promoting the public welfare. [12]

Part II of this paper briefly explains the meaning of bad patents and then summarizes past legislative attempts to design an administrative review procedure for correcting them. Part III discusses the provisions of an administrative post-grant opposition procedure contained in a patent reform bill recently introduced in Congress. Part IV provides a public welfare rationale for adopting a new administrative post-grant opposition highlighting the adverse public effects of granting bad patents. Part V argues for the addition of specific provisions to the current bill that better serve the constitutional purpose of advancing the public's welfare.

## II. PAST LEGISLATIVE ATTEMPTS TO CORRECT BAD PATENTS

The phrase “bad patent” is a phrase that is used broadly to describe any patent that was improperly granted. In the context of this paper, however, the phrase refers more specifically to any patent that received an inadequate level of examination with respect to the novelty, nonobviousness, and disclosure requirements. Congress has long acknowledged the existence of these bad patents, as well as the concern that litigation was too costly to be a viable cure for the problem. [13] Responding to these concerns, Congress passed successive laws containing provisions for a post-grant administrative review procedure. [14] Each of these Congressional attempts failed, however, leaving the current patent system with a gaping hole that desperately needs to be filled. [15]

### *A. Understanding the Phrase “Bad Patents”*

Labels describing bad patents range from “poor quality,” [16] “improvidently granted,” [17] “questionable,” [18] “trash,” [19] and all the way to “absurd.” [20] While these labels share the same general meaning (they refer to patents that never should have been granted), a brief discussion as to the meaning of the term “bad” as used in this paper is necessary to better understand the need for a workable mechanism for invalidating bad patents.

To begin, an understanding of the legal foundations for obtaining a patent is necessary. Five general conditions must be satisfied to properly acquire a patent. Derived from 35 U.S.C. sections 101, 102, 103, and 112, the five categories are: (1) patent eligible subject matter; (2) utility; (3) novelty; (4) nonobviousness; and (5) disclosure requirements. [21]

Commentators describe patents as “absurd” or “trash” when they pertain to material perceived as so self-evident or silly that one wonders whether the PTO even considered the statutory subject matter and utility requirements. [22] Examples of absurd patents include crustless peanut butter and jelly sandwiches, [23] pet toys on a stick, [24] hammocks for cats, [25] and one click shopping. [26] Since the public’s response to the granting of a monopoly on such frivolous material has naturally been a sense of shock and skepticism, the media has of course given a great deal of attention to these particular patents. [27] But understanding the extraordinarily broad manner in which courts have interpreted the utility and subject matter eligibility requirements suggests these public reactions may be misplaced. In general, satisfying the utility standard merely requires that a patent provide, “ome identifiable benefits” [28] and not be “injurious to the well being, good policy, or sound morals of society.” [29] And patentable subject matter has been interpreted to cover “anything under the sun made by man,” [30] excluding only “laws of nature, physical phenomena, and abstract ideas.” [31]

Whether the standards set by the courts on subject matter eligibility and utility are appropriate is beyond the scope of this paper. The concern addressed in this paper is with respect to the issuance of bad patents that have instead been described as “improvident”, of “poor quality”, or “questionable.” The concerns with these patents stem less from their frivolous content and more from an inadequate level of examination received at the PTO, particularly with respect to the obviousness, novelty, and disclosure requirements.

The causes of poor quality examination at the PTO are multifold and well documented. [32] Frequently cited reasons include inadequate PTO resources to thoroughly review each application, biased procedures that favor the patent applicant, skewed incentives that make it easier for an examiner to allow an application rather than reject it, [33] and the unavailability of relevant prior art due to its localized nature. [34] These are the types of bad patents to which this paper refers and for which Congress should be most concerned with in proposing a viable post-grant opposition.

### *B. Adoption of Ex Parte Reexamination*

Congress has known for several years now that litigation is too costly to be a viable mechanism for invalidating bad patents. [35] Between the years of 1974 and 1980 Congress first introduced bills having provisions aimed at providing an inexpensive administrative procedure for reviewing bad patents [36] and contemplated an opposition proceeding resembling those already existing in other countries. [37] Although a post-grant opposition never

materialized during this period, the vigor for reform sustained.

In 1980, a bill providing an administrative procedure for reviewing bad patents *ex post* finally passed, acknowledging three main objectives: 1) resolving patent validity disputes quicker and cheaper than litigation; 2) permitting the court to defer issues of patent validity to the expertise of the PTO; and 3) reinforcing investor confidence in the validity of patents. [38] Recognizing the PTO's unique expertise and efficiency in handling issues of patentability, Congress passed this bill with the intent of offering a timely and inexpensive means for challenging bad patents. [39]

To initiate a review under this administrative paradigm, the Director of the PTO must first determine, within three months of the filing of a request, whether a “substantial new question of patentability” exists in light of prior art submitted by a patentee or third party. [40] The prior art can only be in the form of “patents and publications” [41] addressing novelty and obviousness. [42] Issues regarding double patenting, patent holder conduct, inventorship, prior public use and sales are precluded. In 1997, the Federal Circuit ruled that prior art previously relied upon by an examiner did not constitute a “substantial *new* question of patentability.” [43] Realizing this ruling hamstrung a challenger's ability to inexpensively invalidate patents where an examiner had clearly misunderstood the relevance of prior art and erroneously issued a patent, Congress subsequently overruled the Federal Circuit on November 2, 2002 with a law that added a new sentence to 35 U.S.C Section 303(a). The new sentence states, “The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.” [44] If the Director determines no substantial new question of patentability exists, the requester is barred from appealing the decision. [45]

This type of review procedure is called an *ex parte* reexamination [46] because a third party requester may submit an initial declaration to initiate review, but is precluded from participation once a determination for reexamination is made. [47] When a reexamination commences, third party requesters only receive PTO Office Actions and the patent holder's responses thereto. [48] The reexamination proceeds just as a regular application, by concluding with an examiner's decision to either reject or allow the claims being reviewed [49] and the patent holder retaining the right to appeal an unfavorable decision to the Board of Patent Appeals. [50] For applications filed before November 29, 1999, a patent holder receiving an unfavorable decision from the Board of Patent Appeals may seek judicial review from the Federal Circuit or to the United States District Court for the District of Columbia. [51] If the application was filed after November 29, 2000, however, the patent holder may only seek judicial review from the Federal Circuit. [52] Third party requesters, on the other hand, have no right to appeal. Thus, in an *ex parte* reexamination, the third party is relegated to a passive observer with little recourse in the event of an adverse decision.

### ***C. Failure of Ex-Parte Reexamination***

The adoption of an *ex parte* reexamination procedure failed to meet the legislative objective of providing a prompt, effective, and inexpensive alternative to litigation for invalidating bad patents for four principle reasons: 1) limited participation allowed by third parties; 2) narrow substantive grounds for which a review can be requested acting as an incentive to pursue litigation rather than reexamination; 3) lack of meaningful legal effect because courts are not bound by the PTO's decision and because reexamination and litigation can occur simultaneously; and 4) biased procedural measures causing an examiner to be more inclined to favor granting reexamination. [53]

The limited success of the *ex parte* reexamination is best evidenced by comparing the low number of reexamination filings relative to the high number of patents being issued. For example, between the years of 2000 and 2004, over 835,000 patents issued [54] while the total number of *ex parte* filings from the same period amounted to only 1719. [55] As these statistics strongly suggest, the *ex parte* reexamination procedure failed to effectuate the legislative goal of providing a low-cost alternative mechanism to litigation for invalidating bad patents.

### ***D. Adoption of Inter Partes Reexamination.***

In 1999, Congress set out to remedy the shortcomings of the *ex parte* reexamination by adopting a new

procedure called an *inter partes* reexamination. [56] As with the *ex parte* reexamination, a requester in an *inter partes* proceeding must first submit prior art in the form of “patents and publications” [57] whereby the Director determines whether a “substantial new question of patentability” exists. [58] Further mirroring the *ex parte* reexamination procedure, “the existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.” [59] Moreover, as with the *ex parte* reexamination, third party requesters in an *inter partes* procedure may only contest the validity of a patent on issues pertaining to obviousness and novelty (e.g. 35 U.S.C. §§ 102, 103). Issues regarding double patenting, patent holder conduct, prior public uses and sales are precluded. [60] Once an initial determination of a “substantial new question of patentability” is made, an *inter partes* proceeding continues similar to an *ex parte* reexamination, under the laws and rules governing regular examination. [61]

The most significant difference between the *inter partes* and *ex parte* reexamination procedures is that an *inter partes* reexamination allows a third party to participate, albeit in a limited manner, during the review procedure. Specifically, a third party has the right to file written comments addressing “issues raised by the action of the Office or the patent owner's response thereto.” [62] A second distinction, although more subtle, is that a third party requester in an *inter partes* reexamination must disclose the real party of interest. [63] One final distinguishing feature, pursuant to the amendments enacted on November 2, 2002, is that third party requesters in an *inter partes* reexamination may now appeal an unfavorable decision. [64]

### **E. Failure of Inter Partes Reexamination.**

The *inter partes* reexamination is certainly not without its detractors. Some critics have even gone so far as to characterize the *inter partes* proceeding as a recipe for disaster making comments such as, “it would be legal malpractice to recommend a client initiate an *inter partes* reexamination.” [65] That sentiment is certainly not unjustified. Not only do *inter partes* proceedings suffer from having narrow substantive grounds for review, but they also have the additional problems of forcing challengers to identify the real party in interest (leaving the challenger vulnerable to an infringement attack) and having strict estoppel provisions that discourage their use altogether. [66] The specific estoppel provisions and the severity of their effects have been described in the following manner:

“If your *inter partes* reexam[ination] request is granted and results in a final determination that a claim is valid, you can't defend an infringement claim on grounds that you could have raised in the reexam[ination]. Likewise, if there's a final decision against you (a) in civil litigation that you haven't sustained your burden of proof on invalidity of a claim, or (b) in *inter partes* reexamination that a claim is valid, you can't request *inter partes* reexamination based on issues you could have raised in the earlier proceeding. I mention this feature only because it prompts many suggestions to avoid the procedure, and it may be the greatest deterrent to filing *inter partes* requests.” [67]

Indeed, these problems have had a dramatic effect on the number of *inter partes* reexamination requests. Between the years of 2000 and 2004, the PTO anticipated over 2400 requests, yet only received a total of 53. [68] Thus, despite Congress' attempt to remedy the problems associated with *ex parte* reexaminations, the adoption of the *inter partes* procedure did little more than leave the underlying problem in tact.

## **III. PENDING LEGISLATION CONTAINING A POST-GRANT OPPOSITION**

On June 8, 2005, Congressional Representative Lamar Smith introduced a bill entitled the Patent Reform Act of 2005 (“Patent Act”). [69] The Patent Act adds several new sections to Chapter 32 that outline a new administrative post-grant opposition. Commentators have described the bill as the most significant patent reform proposal since the 1952 Patent Act. [70] The driving force behind the adoption of a new post-grant opposition was a need to remedy the problems associated with the current *ex parte* and *inter partes* reexamination procedures. For example, the Patent Act includes provisions allowing for greater breadth in the grounds for reviewing a patent, more robust participation from third party requesters, and less harmful estoppel effects.

### **A. The Patent Act as Originally Introduced**

The most significant features of the Patent Act's post-grant opposition, as originally introduced in the House, are

summarized below.

## **1. Filing, Grounds for Review, and Real Party of Interest**

A party (requester) seeking to invalidate one or more claims may file an opposition with evidence setting forth the reasons why the patent does not comply with certain substantive issues. [71] The substantive issues that may be raised in a request are broader than the grounds provided in the current reexamination procedures. They include double patenting and anything falling under 35 U.S.C. §§ 101, 102, 103 and 112. [72] In raising these issues, a requester may rely on patents, publications and/or other factual evidence accompanied by supporting affidavits or declarations. [73]

The requester must identify the real party in interest, but may demand that it be kept separate, available only to government agencies upon request, or to any person upon a showing of good cause. [74] The real party in interest may not be kept separate, however, when the requester relies upon factual evidence or expert opinions as evidence of invalidity. [75]

## **2. Timing**

The request for an opposition may only be filed within one of two window periods. The first window is within nine months from the date of patent issuance and the second window is within six months of receiving notice of infringement from the patent holder. [76] Alternatively, a request may be filed at any time during the enforceable life of the patent, but only with the consent of the patent holder. [77]

## **3. Instituting an Opposition**

To initiate an opposition proceeding the Director must determine whether a substantial question of patentability exists with respect to at least one claim of the patent. [78] If the Director determines that a substantial question of patentability does exist, then an opposition will be initiated and the case will be assigned to a panel of three administrative patent judges that will make a final determination as to the validity of the claim(s) at issue. [79] If a civil suit has been filed prior to the nine or six month period specified above, then the patent holder may request a stay of the opposition proceeding until judgment in the suit and all appeals have become final. [80]

## **4. Amendments**

The patent owner is entitled to amend any claims of the patent and to add new claims, but may not enlarge their scope. [81]

## **5. Discovery and Hearing**

The patent holder and the requester may depose each affiant or declarant used by the opposite party, but the deposition is limited to cross examination on matters relevant to the affidavit or declaration. [82] Additional discovery is permitted if the panel decides it is necessary in the interest of justice. [83] An oral hearing may be requested by either party or the panel may *sua sponte* request a hearing if warranted. [84] Briefs and cross-examinations of all declarants or affiants shall be permitted if a hearing is requested. [85]

## **6. Burden of Proof and Appeals**

The requester has the burden of showing that any opposed claim is invalid based on a preponderance of the evidence. [86] The determination of any opposed claim's validity will be based on the broadest reasonable construction of the claims. [87] Both the patent holder and the opposer may appeal any final determination in an opposition proceeding to the Federal Circuit. [88]

## **7. Estoppel**

The requester may not argue that any claim is invalid based upon any issue of fact or law determined at an opposition proceeding in any subsequent PTO or court proceeding. [89]

## **8. Settlements**

An opposition proceeding may be terminated upon an agreement between the patent holder and the requester. [90] Any such agreement to terminate must be in writing and must be made available to government agencies upon request. [91] The panel may proceed without the opposer and issue a final determination on the claims being challenged. [92]

### ***B. Amendments to the Patent Act***

The Patent Act has undergone some changes since its introduction on June 8. For example, on July 26, a substitute draft containing notable changes to the new post-grant opposition was submitted. [93] These changes are summarized below.

#### **1. Timing**

The second window for filing an opposition request was deleted in the July 26 version of the bill. [94] The July 26 draft only allows for the filing of the opposition request within the first nine months of the issuance of a patent. [95]

#### **2. Relationship to Court Actions**

The July 26 draft of the bill also added a section pertaining to the relationship between a post-grant opposition and court actions. [96] This section has four provisions of particular significance. First, a court may not stay an infringement action pending a determination of whether an opposition proceeding will be instituted or while an actual opposition proceeding is pending. [97] Second, a patent holder may elect to have the claim interpretation of the court govern the opposition proceeding. [98] Third, a determination to institute an opposition cannot be made, if a patent holder has filed an infringement suit within three months of the granting of the patent and requested a stay on that determination, provided that the Director determines that the infringement action is likely to address the same or substantially the same questions of patentability in the infringement suit and the director does not believe a stay of the opposition would be contrary to the interests of justice. [99] Fourth, following a request to stay an opposition for determination in a court proceeding, the Director may only institute an opposition with respect to a substantial question of patentability that continues to exist because it was not decided by the court in the infringement suit. [100]

### **IV. A NEW POST-GRANT OPPOSITION PROCEDURE SHOULD BE ADOPTED**

Because several patent reform proposals have died while in Congress, there is no certainty that the post-grant opposition contained in the current bill will be enacted. Accordingly, this section discusses the most salient reasons for adding a revised post-grant opposition procedure to the U.S. system, namely: 1) the public's interest in seeing that the adverse social consequences of bad patents are significantly reduced; and 2) the overwhelming call for reform coming from two prominent public-policy organizations.

#### ***A. The Justification for Granting Patents Assumes all Patents Are Good***

How do bad patents negatively affect the public? To answer this question, one must first understand the theory that justifies the concept that valid patents benefit society. [101] The justification most often cited for granting patents is the incentive to invent theory. [102] The theory teaches that a monopoly, via a patent grant, allows inventors to control the market price of their inventions, which in turn provides adequate compensation for their

initial investment in research and development. [103] Absent this protection, competitors would appropriate an inventor's idea and drive market prices below the level necessary to recoup initial expenditures. [104] Thus, the ability to control market prices ensures that socially important products that, but for a patent, never would have developed or would have developed at a markedly slower pace, actually materialize or materialize at an accelerated pace. [105]

The incentive to invent theory is indeed contentious, as many critics have attacked it on multiple grounds. [106] But even the staunchest proponents of the theory must concede that the theory's validity relies upon two important conditions. First, it requires that valid patents be granted. Second, it requires that bad patents be revoked or reduced to their proper scope. The reality, however, is that a high number of bad patents are being issued [107] and many of them are not being invalidated or reduced in scope because the current mechanism for contestation is overpriced and highly ineffective. [108] The current patent system therefore has a de facto reliance on litigation as the primary vehicle for invalidating patents - a reliance having adverse public consequences.

## ***B. Public Effects of Bad Patents***

Patent commentators often cite Professor George Priest for his statement that economists have very little to say about patent law. [109] And those who study the welfare effects of patents are frequently hindered by the astonishing reality that "the state of the art in the economics of ... patent policies seems primitive." [110] The National Research Council (NRC) echoed these frustrations in their recent comprehensive review of the patent system in stating that, despite the "growing body of economic and legal research," the empirical evidence for patent policies is still "quite limited." [111]

Although empirical support is scarce, the following paragraphs discuss some of the basic economic effects of issuing bad patents in a system that lacks a viable invalidation mechanism. This economically dominated viewpoint is important because although the public is a silent participant in the patent system and the economic effects of bad patents go largely unnoticed, the consequences are indeed real and sufficiently harmful to the public to warrant adoption of a new post-grant administrative opposition procedure. [112]

### **1. Economic Effects of Relying on Litigation**

Professor Lemley's article discussing the "rational ignorance" [113] at the PTO has garnered a great deal of attention. Professor Lemley asserts that the PTO should refrain from spending more money on examination because so few patents have commercial significance [114] and posits that the PTO is rationally ignorant in allowing bad patents to slip through the cracks because litigation is a socially cheaper alternative to increasing PTO examination expenditures. [115] While increased spending on examination at the PTO may be an inappropriate remedy to the problem of bad patents, the assumption that litigation is a socially optimal mechanism for invalidating bad patents is insufficient for several reasons as discussed below.

#### **a. Money Affects Outcome**

First, litigation is not a very accurate assessment of patent validity. The amount a party is willing to spend on litigation closely correlates with that party's probability of winning an invalidity contest. [116] Tactics available to the party willing to spend more on litigation are numerous and, if used, tilt the scale of winning in their favor. [117] Moreover, the stakes between litigation adversaries in litigation can be highly asymmetric causing the party with more at stake to spend an even greater amount, further distorting the accuracy of a court's validity determination. [118] For challengers in financially weaker positions, the effects of such a system are even more acute because of the ever-increasing costs of litigation. [119] A system that relies on a costly invalidation mechanism, therefore, is a system where the party with the deepest pocket is the one most likely to receive a favorable validity ruling. To the extent that small businesses promote competition and lower product costs, this reality adversely affects the public in the form of higher consumer prices. Introducing an effective, low-cost administrative opposition proceeding may not completely eradicate this problem, but it would lessen its effects substantially.

## **b. The Public Good Problem**

The fact that a successful invalidation ruling is a public good further militates against reliance on litigation as the predominant mechanism for invalidating patents. Since the Supreme Court's decision in *Blonder-Tongue*, [120] a party that successfully challenges a patent's validity cannot exclude competitors from benefiting from the successful attack. The *Blonder-Tongue* ruling, "ma a successful challenge a 'public good' among multiple infringers," [121] thereby discouraging challenges from competitors that know they can free-ride on another party's success.

In addition to discouraging challenges, the *Blonder-Tongue* decision created a problem equally as profound in the context of litigation. Consider the following hypothetical:

"f there are five infringers of equal size, each gets only a fifth of the gains from a successful challenge because each is paying only a fifth of the patentee's total royalties. Therefore, the patentee has five times more incentive to prevail in litigation than any one challenger has." [122]

In such a scenario, a single challenger is unlikely to spend an amount of money equal to the patent holder and a court's validity determination is therefore less likely to be accurate. The public consequently suffers by having more bad patents maintained.

The problems of discouraging challenges and distorting the accuracy of court rendered decisions would be greatly reduced if invalidation costs were substantially less, as they undoubtedly would be in a system offering viable, less expensive administrative post-grant opposition.

## **c. Pass-Through Problem**

Another reason why litigation is not a socially optimal mechanism for invalidating a patent is that competitors tend to accept royalty payments in lieu of paying for costly litigation because such payments can be easily passed on to consumers. [123] Paying royalties carries minimal risk and costs competitors very little, whereas litigating a patent's validity includes the extraordinarily high costs of legal fees and the threat of significantly damaging a competitor's prior investments from a court ordered damage award and/or injunction. [124] This pass-through phenomenon therefore has the effect of transferring the costs of prevailing bad patents onto the public by allowing competitors to bear little or no cost in paying royalties. [125]

## **d. Litigation Favors the Patent Holder**

Because an infringement suit inherently favors the patent holder, [126] royalties can be extracted from competitors even when threat of infringement comes from relatively weak patents. First, a patent carries with it a presumption of validity, [127] a presumption that is only rebuttable if a party presents clear and convincing evidence. [128] Second, patentees frequently assert multiple claims and/or patents against an accused infringer, thus further increasing a defendant's litigation costs. [129] Moreover, defendants tend to avoid litigating a patent's validity because injunctions and/or money damages can significantly depreciate the value of their prior investments. [130] These powerful advantages cause competitors to accept unjustified licenses even when a patentee is asserting a bad patent. This reality effectively imposes a tax on the consumer in the form of higher consumer prices [131] and once again leaves the public on the hook for the cost of bad patents.

## **2. Additional Reasons Bad Patents Affect the Public**

A bad patent is harmful to the public for other reasons less associated with litigation, but not wholly independent from it. Because competitors have no inexpensive way to assess the validity of a patent or determine if and when it will be asserted, competitors often spend money evaluating patent boundaries and designing around those boundaries rather than initiating a validity challenge. [132] Bad patents also deter downstream innovation; increase product costs because rent-seekers such as venture capital financiers purchase bad patents; increase consumer prices because of an absence of non-infringing substitutes; [133] and increase product commercialization costs as a result of an increased number of defensive patent filings. [134] Each of these consequences negatively



impacts the public in the form of higher consumer prices.

### ***C. Policy Organizations Recommend a Post-Grant Opposition***

If one is still unconvinced that bad patents are a real public problem, the overwhelming support coming from well-respected, policy panels should dampen any lingering apprehension. In 2003, at the behest of Congress, the National Research Council (NRC) and the Federal Trade Commission (FTC) conducted comprehensive examinations of the patent system and concluded that a new administrative post-grant opposition should be adopted. [135] Similar to the arguments discussed above, the NRC and FTC concluded that a post-grant opposition should be adopted because too many bad patents were frustrating competition and causing economic disturbances that were adversely affecting the public. [136] As both of these organizations are comprised of distinguished scholars carrying out the specific objective of advancing the public's welfare, Congress should give great deference to their recommendations in deciding whether to adopt a new post-grant opposition proceeding.

## **V. A POST-GRANT OPPOSITION FOR THE PUBLIC'S BENEFIT**

Since the following proposals are unlikely to be adopted by Congress, the purpose of this paper is not to achieve absolute approval, but rather, to present arguments that spark debate beyond its current state. While eliciting debate is certainly not an end to the public ill, it is, to some extent, a measure of progress. As the French essayist and moralist Joseph Joubert stated, "the aim of argument, or discussion, should not be victory, but progress." [137] With this limited purpose in mind, each proposal discussed below is taken from a public-policy perspective, without regard to whether the suggestions will be implemented in the Patent Act of 2005.

### ***A. Adding a PTO Enforcement Agency***

A post-grant opposition benefiting the public should create a PTO enforcement division with the power to file oppositions. This enforcement division would operate similar to enforcement divisions within other federal agencies such as the Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC), the Department of Justice (DOJ), and the International Trade Commission (ITC), and would be guided by the same general principle of ensuring that the public is adequately protected. Like the enforcement divisions in these other federal agencies, the PTO's enforcement branch would be permitted to file civil actions, in the form of oppositions, against anyone who has used the system improperly. While the enforcement divisions of the IRS, SEC, and DOJ typically file suits based on willful actions that mislead, defraud, or otherwise adversely affect the public, the PTO enforcement division, in contrast, would generally be precluded from filing oppositions based on intentional conduct. The responsibilities of the PTO's enforcement division would therefore be more akin to the ITC, in that its primary concern would be non-intentional conduct that violates federal statutes and is causing, or is likely to cause, significant public harm. Non-compliance with the applicable governing statutes would simply mean that the patentee failed to satisfy one of the patentability laws required to obtain a lawful monopoly. In effect, oppositions filed by the enforcement division would be based on the same grounds as opposition filed by private parties, but would be targeted specifically toward patents that are likely to, or already are, causing the greatest public harm.

The enforcement division would be financed by PTO fees currently being diverted away from the agency, [138] and would have a strictly defined statutory budget limiting its enforcement power. Information on non-compliance would be obtained from the division's own investigations, public organizations, media reports, businesses, non-profits, individuals, or any other source. The PTO would encourage submission of information relevant to any patent perceived as bad or capable of causing severe economic harm. Methods for fostering the submission of relevant prior art against bad patents are limitless. One simple idea, with great potential, is the posting of a patent busting most wanted list on the enforcement division's website. [139]

Once the enforcement division acquired sufficient information pertaining to the invalidity of a particular patent, a decision to file an opposition against that patent would be made. One may ask how the PTO enforcement division would decide which patents among the current level of approximately 180,000 patents issued per year to pursue. The answer to that question is simple. Patents would be pursued based on the probability of a finding of invalidity and the degree of public harm that would, or is, resulting from the monopoly grant. The Board would therefore

discriminate not on patent holder status, but rather, on the level of public harm resulting from an improperly granted monopoly. Fears of unfair targeting and adverse effects upon patent holders with existing investments, while legitimate, would be no greater than the concerns of government overreach in other federal agencies that include enforcement divisions.

The enforcement division would be precluded from appealing determinations that no substantial new question of patentability exists and from appealing opposition rulings favorable to the patent holder. The patent holder, however, would maintain the right to appeal any unfavorable decision. This appeal regime would lessen the concern of patent holder harassment, allow patentees to mount relatively inexpensive defenses, and preserve the limited resources allocated to the enforcement division.

In sum, the enforcement division's structure, financing, and power would be simple and its purpose straightforward -- to ensure that the public, the intended beneficiary of patents, is adequately protected against the issuance of bad patents.

### ***B. Who May File an Opposition?***

The Patent Act should also define the phrase "third party" more explicitly such that it encompasses any person, group of persons, private business or businesses, public or private organizations, government agency or agencies, educational institution or institutions, and "any combination thereof." By expressly allowing for collaborative filings, the possibility of claiming mutual attacks are unlawful would be eliminated, and the effects of free riding and asymmetric stakes involved in litigation would be reduced.

To further promote collaborative filings, requesters should also be allowed to consolidate multiple oppositions filed against a single patent, and to consolidate multiple oppositions filed against more than one patent covering substantially the same subject matter, when such oppositions are filed near enough in time. Consolidation, however, should not be a blanket power for requesters. The prescribed time should be no more than three months from an initial filing request and should not infringe upon a patent holder's right to a fair opposition proceeding. For example, if a consolidation request is made after an opposition has commenced and substantial discovery has already occurred, the panel should reserve the right, in the interest of justice, to deny such a request to consolidate.

### ***C. Timing of Request***

The July 26 version of the 2005 Patent Act eliminated the time period for filing a request within six months after receiving notice from a patent holder alleging infringement. The public should oppose any such proposal that limits the time frame for filing an opposition and instead advocate for a new provision that permits the filing of an opposition at anytime during the enforceable life of a patent, except two months after receiving notice of an infringement suit.

Having a one-year window causes competitors to waste money opposing patents with no commercial value. [140] Since a patent's commercial viability is difficult to discern and infringement suits are normally filed after a patentee reaches a decision on commercial viability, competitors often have no accurate way of determining whether a patent is worth opposing until long after its issuance. To illustrate this problem, consider the pharmaceutical industry, where because of time-consuming FDA regulations and clinical trials, products embodying a particular patent can take years to be brought to market. Adding a provision that permits opposition filings anytime during the life of a patent (except two months after the filing of an infringement suit) would therefore benefit competitors in the pharmaceutical industry (and other players in industries with similar dynamics) by reducing the amount of money spent opposing patents with no market value.

Moreover, a single commercial product may be embodied in more than one patent, making the one-year window even more problematic for potential challengers. Since no mechanism for identifying which patents which will ultimately be associated with a particular commercial product exists, a one-year window would force challengers to guess which patents are most likely to be embodied in future products. The high number of patents being issued and the high frequency for which licenses and cross-licenses are obtained would only exacerbate this problem by further

increasing the number of speculative opposition filings. If challengers were restricted to filing an opposition within one year from issuance, they would be forced to choose between foregoing opposition, and hence relying on the costly and ineffective system of litigation, or filing multiple oppositions based on mere conjecture. Both of these alternatives would be costly and leave the public bearing the costs by paying higher consumer prices.

In some cases, competitors may reasonably believe a patent is invalid and come to rely upon a patent holder's decision not to assert that patent. [141] Consider, for example, a patent holder that chooses to assert their patent well after a year from issuance. In such a situation, a competitor's reliance on the patentee's inaction would eliminate their ability to file an opposition proceeding. Limiting the time period for filing an opposition therefore forces competitors to rely on high litigation costs, even when fundamental fairness should dictate they be free from such expenses.

An extended time period would also allow competitors to initiate an opposition proceeding without having to await an infringement notice. For instance, imagine a firm that implicitly authorizes use of its patent of questionable validity, and then subsequently sells the same patent to a third party intent on enforcement. [142] Upon learning about such a transaction, a competitor ought to be able to thwart the threat of an expensive suit by preemptively filing an opposition. A window lasting the life of a patent would provide for this contingency by allowing competitors to inexpensively obtain a reliable decision as to the asserted patent's validity -- thereby providing competitors with valuable information regarding the security of their prior investments.

In a sense, the rationale for extending the time period for filing an opposition is consistent with the equitable basis for permitting laches and estoppel defenses -- basic fairness. But since laches and estoppel can only be asserted in expensive litigation proceedings, they should not be the sole protectorates of a competitor's reasonable reliance that a bad patent will not be asserted.

Advocates of patent holder rights may argue that a window lasting the enforceable life of a patent would further impinge upon a patent holder's ability to obtain certainty in their inventive rights, and indeed it may. But this argument carries little weight in debating the particulars of a post-grant opposition designed to benefit the public. First, patentees already face significant obstacles to acquiring certainty in their inventive rights because an *ex parte* or *inter partes* reexamination can be filed at anytime during the enforceable life of a patent. More importantly, parties seeking patent protection under this proposed regime would be likely to adapt in a manner advantageous to the public by reorienting their prosecution strategies to place more emphasis on searching relevant prior art and determining the commercial significance of their ideas. Such strategies might force parties to file fewer patent applications, but fewer applications would not be an unwelcome consequence.

For these reasons, neither a one year window, nor a second window of within six months from notice of infringement, are sufficient to protect competitors, and hence the public, from the issuance of bad patents. *Ex parte* and *inter partes* reexaminations may still be an option after the first year of patent issuance, but given the problems discussed above, competitors are unlikely to consider those options as viable alternatives.

#### **D. Limited Number of Filings**

A provision limiting the total number of actual opposition proceedings against a patent to no more than two should be added to the bill. Although two may seem like an arbitrary selection, it does have some level of logic and fairness to it. Just as the patent holder has at least two attempts to alter the scope of their patent claims to comply with the requisite patent laws, so too should the public have at least two legitimate attempts to invalidate a patent. On the other hand, the fear of patent holder harassment cautions against allowing more than two challenges. So while a two opposition limit is admittedly a bit arbitrary, such a limit would serve to balance the interest of protecting the public's need to have a fair number of opportunities to invalidate a monopoly, against the desire to keep the power of the enforcement board and other potential harassers in check. The right to file an opposition at anytime during the enforceable life of the patent would necessarily offset concerns about the negative effects of limiting the actual number of oppositions. Finally, to prevent an unfair exhaustion of the limited number of actual oppositions permitted, patent holders would be precluded from opposing their own patents.

### ***E. Relationship to Court Actions***

Despite the well-known fallibilities of the PTO, Congress and the courts have recognized its peculiar expertise in patent law. [143] Courts should be encouraged to utilize this expertise. Unfortunately, the July 26 version of the bill does not permit courts to stay infringement suits pending a determination to institute an opposition or pending a final decision from an opposition proceeding. [144] The July 26 version only allows patent holders to request that the initiation of an opposition be stayed when 1) they have filed suit within three months of patent grant; 2) the Director determines that the infringement action is likely to address the same or substantially the same issues as the opposition; and 3) the stay would not be “contrary to the interests of justice.” [145] Allowing only patent holders to request a stay ignores the PTO’s proficiency in patent law and wastes the resources of an already overburdened judicial system. While it may be true that PTO validity determinations would be less than perfect, they are likely to be just as accurate (and perhaps more accurate) as Federal District Court decisions. It is true that a lot of noise has been made about the high percentage of patent invalidity findings in Federal Courts, a fact which would seem to cut against the reliability of the PTO. But the reality is that the high invalidity rates are often a result of the PTO’s lack of knowledge as to relevant prior art, a problem that would be greatly mitigated by the fact that an opposition proceeding would be filed by parties likely to be in possession of such relevant art.

Thus, there is little reason for a judge, who is unlikely to have a technical background or experience in patent law, to be discouraged from halting a pending infringement suit until final determination of an opposition proceeding at the PTO. Giving courts the power to stay an infringement suit would lessen the chances of competitors paying exorbitant litigation costs on a patent that should never have issued in the first place. At first blush, this may seem somewhat unfair to a patent holder, but the patent holder is not without recourse in the event of an adverse opposition proceeding decision. An appeal to the Federal Circuit can still be made, and patents that are truly novel, nonobvious, and commercially valuable would surely be validated. Moreover, a party that successfully appeals a patent that is indeed of value to the public would easily be able to recoup their costs by brandishing its powerful new monopoly weapon.

In conclusion, the ability of a court to stay an infringement suit would serve the public’s interest in two critical respects: 1) reducing needless litigation costs that are ultimately passed on to the consumer; and 2) ensuring that the presumption of patent validity in any subsequently filed infringement suits is more justifiably attached.

### ***F. Settlements***

The current bill also allows the panel to issue a written decision when the parties to an opposition have terminated the proceeding. [146] The panel’s right to pursue an opposition on their own accord is an essential component to ensuring that the public’s interest is adequately represented. But the provisions of the current bill do not suffice. Additional language should be added stating that, “any decision by the panel to discontinue a terminated opposition shall be forwarded to the enforcement division.” If, after weighing the considerations discussed in Part A against the effects of disrupting the settled parties commercial expectations, the enforcement division decides adequate public need exists, they should reserve the right to continue investigation and prosecution of the case. The enforcement division, however, should have no more than two months to decide whether to pursue a terminated opposition. Permitting the enforcement division to pursue a settled opposition proceeding on their own accord would reduce collusive settlement agreements [147] - agreements that create substantial barriers to market entry and threaten economic competition (and therefore adversely affect the public).

Lastly, settlement agreement that terminate an opposition would not be considered an actual proceeding under the limited number of actual oppositions permitted.

### ***G. Real Party of Interest***

The Patent Act requires the real party of interest to be made available when a requester relies upon factual evidence or expert opinions in the form of affidavits. [148] The requester also must make available the real party of interest to “any person upon a showing of good cause.” [149] The public should oppose these provisions and advocate instead for language that requires disclosure of the real party of interest only under “extraordinary

circumstances.”

Revealing the real party of interest to avoid conflicts of interest is certainly understandable, especially when the enforcement division becomes the opposer in a settled opposition. But does knowledge of the real party of interest benefit the public to the extent necessary to justify mandatory disclosure where an opposer relies on affidavits or where a vague standard of “showing of good cause” is met?

Because most post-grant oppositions would be filed based on evidence other than merely patents and publications and clever attorneys are likely to concoct persuasive arguments that meet the low and ambiguous “good cause” standard, disclosure would likely become the norm. This de facto disclosure requirement would deter challenges from parties that fear large infringement targets being painted on their backs. This fear would weigh more heavily upon financially weaker competitors, competitors having substantial investments in a product, and competitors already offering products on the market - as they would be the parties with the most to lose from revealing their identities. The targeting of these latter two parties would invariably cause negative economic consequences because they would be more likely to accept royalty payments rather than risk diminishing the value of their prior investments from an unfavorable litigation ruling.

If the incentive to invent theory of patent law is indeed true, then the public certainly has an interest in seeing that parties who file bad faith oppositions simply to exploit the high standard of “extraordinary circumstances” do not harass owners of good patents. While this concern is legitimate, the effects would be negligible if the post-grant opposition included a provision limiting the total number of opposition permitted and if the proceedings were strictly limited to issues that raise substantial new questions of patentability.

## VI. CONCLUSION

While the Constitution gives Congress the power to adopt a patent system that awards monopolies in exchange for innovations that benefit society, the interest of the public must not be forgotten in the implementation of the system. Because Congress has neglected the public's interest and caused the current system to swell far beyond its constitutionally intended scope, clamor for change has arrived on several fronts. But change is certainly no easy task, and the Patent Reform Act of 2005 is but one step in that arduous journey.

To ensure that near term patent reform reduces the very real public problem of bad patents, adoption of a more robust post-grant opposition should be an absolute necessity. Overemphasizing the interests of players other than the public has caused legislative reforms to fail in the past, and such mistakes must not be repeated this time around. The public's priority should predominate and their welfare should be the focus as the debate on the particulars of a viable post-grant opposition continues.

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[1]. See U.S. CONST. art. I, § 8, cl. 8.

[2]. See Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 5 (1966).

[3]. Id. at 1.

[4]. See id at 7.

[5]. Letter from Thomas Jefferson to Mr. Isaac McPherson Monticello (Aug. 13, 1813), in 13 The Writings Of Thomas Jefferson 334 (Andrew A. Lipscomb & Albert Ellery Burgh eds., Thomas Jefferson Memorial Association 1905) (“the exclusive right to invention as given not of natural right, but for the benefit of the public.”).

[6]. Graham, 383 U.S. at 5-6.

[7]. *See id.*

[8]. *See infra* Parts II.B, II.D (discussing early proposals for and later adoptions of different post-grant opposition procedures).

[9]. *See infra* Part III (discussing the provisions of a pending Congressional bill entitled the Patent Reform Act).

[10]. *See infra* note 133 and accompanying text.

[11]. *See* Qin Shi, *Reexamination, Opposition, or Litigation? Legislative Efforts to Create a Post-Grant Grant Patent Quality Control System*, 31 AIPLA Q.J. 433,435 (2003).

[12]. *See* Graham, 383 U.S. at 5-6.

[13]. *See* Shi, *supra* note 11, at 436-437.

[14]. *See infra* Parts II.B, II.D.

[15]. *See infra* Parts II.C, II.E (pointing out the failures of the present post-grant review mechanisms).

[16]. *See* Brownwyn H. Hall & Dietmar Harhoff, Post-Grant Reviews in the U.S. Patent System -- Design Choices and Expected Impact, 19 Berkeley Tech L.J. 989, 991-992 (2004).

[17]. *See* Shubha Ghosh & Jay Kesan, What Do Patents Purchase? In Search of Optimal Ignorance in the Patent Office, 40 Hous. L. Rev. 1219, 1227 (2004) [hereinafter Ghosh]; Jay P. Kesan, Carrots and Sticks to Create a Better Patent System, 17 Berkeley Tech. L.J. 763, 767 (2002) [hereinafter Kesan].

[18]. *See* Carl Shapiro, Patent System Reform: Economic Analysis and Critique, 19 Berkeley Tech. L.J. 1017, 1018 (2004).

[19]. *See* Gerald J. Mossinghoff & Vivian S. Kuo, Post-Grant Review of Patents: Enhancing The Quality of the Fuel of Interest, 43 IDEA 83, 84 (2002).

[20]. *See* Ghosh, *supra* note 17, at 1220.

[21]. 35 U.S.C. §§101-103, 112 (2005); National Research Council of the National Academies, A Patent System for the 21st Century 233 (2004), <http://www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf>.

[22]. *See* Ghosh, *supra* note 17, at 1220.

[23]. U.S. Patent No. 6,004,596 (filed Dec. 8, 1997); *see* Gary L. Reback, *Patently Absurd: Corporations Are Increasingly Converting the Shield of Patent Protection into the Sword of Unfair Competition*, *Forbes*, June 24, 2002, at 44 (showing the drawing of a crustless peanut butter and jelly sandwich from U.S. Patent No. 6,004,596 as a nomination for the most ridiculous patent).

[24]. U.S. Patent No. 4,712,510 (filed Dec. 15, 1987).

[25]. U.S. Patent No. D431695 (filed Jan. 6, 1999).

[26]. U.S. Patent No. 5,960,411 (filed Sept. 12, 1997); *see* Ghosh, *supra* note 17, at 1220.

[27]. *See* Ghosh, *supra* note 17, at 1220.

[28]. Juicy Whip, Inc. v. Orange Bang, Inc., 185 F.3d 1364, 1366 (Fed. Cir. 1999).

[29]. *Id.* (quoting Lowell v. Lewis, 15 F. Cas. 1018, 1019 (C.C.D. Mass. 1817)).

[30]. Diamond v. Chakrabarty, 447 U.S. 303, 309 (1980).

[31]. *Id.*

[32]. *See* Kesan, *supra* note 17, at 765-766.

[33]. *See* Joseph Farrell and Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 Berkeley Tech. L.J. 943, 944-45 (2004).

[34]. *See* Kesan *supra* note 17, at 766.

[35]. *See* Shi, *supra* note 11, at 436-437.

[36]. *See* Kristen Jakobsen Osenga, *Rethinking Reexamination Reform: Is it Time for Corrective Surgery, or Is It Time to Amputate?*, 14 Fordham Intell. Prop. Media & Ent. L.J. 217, 222 (2003).

[37]. *See id.*

[38]. Patlex Corp. v. Mossinghoff, 758 F.2d 594, 602 (Fed. Cir. 1985); Shi *supra* note 11, at 436-437;

[39]. *See* Shi, *supra* note 11, at 437.

[40]. 35 U.S.C. § 303 (2005).

[41]. 35 U.S.C. § 301 (2005); *Manual of Patent Examining Procedure (M.P.E.P.)* § 2205, Edition 8, Revision 1, February 2003 (“The prior art which may be submitted under 35 U.S.C. § 301 is limited to ‘written prior art consisting of patents or printed publications.’”).

[42]. *M.P.E.P.*, *supra* note 41, § 2205 (“The prior art citation cannot include any issue which is not directed to patents and printed publications. Thus, for example, a prior art citation cannot include a statement as to the claims violating 35 U.S.C. 112, a statement as to the public use of the claimed invention, or a statement as to the conduct of the patent owner. A prior art citation must be directed to patents and printed publications and cannot discuss what the patent owner did, or failed to do, with respect to submitting and/or describing patents and printed publications, because that would be a statement as to the conduct of the patent owner.”).

[43]. In re Portola Packaging, Inc., 110 F.3d 786, 790 (Fed. Cir. 1997).

[44]. 35 U.S.C § 303(a) (2005).

[45]. 35 U.S.C. § 303(c) (2005) (“A determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Director may refund a portion of the reexamination fee required under section 302 of this title.”).

[46]. 37 C.F.R. § 1.510 (2005).

[47]. 37 C.F.R. § 1.550(g) (2005) (“The active participation of the *ex parte* reexamination requester ends with the reply pursuant to § 1.535, and no further submissions on behalf of the reexamination requester will be acknowledged or considered ....”).

[48]. 37 C.F.R. § 1.550(f) (2005) (“The reexamination requester will be sent copies of Office actions issued during the *ex parte* reexamination proceeding. After filing of a request for *ex parte* reexamination by a third party requester, any document filed by either the patent owner or the third party requester must be served on the other party in the reexamination proceeding in the manner provided by § 1.248.”).

[49]. 35 U.S.C. § 305 (2005) (“After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title.”).

[50]. *M.P.E.P.*, *supra* note 41, § 2273.

[51]. *Id.* § 2279.

[52]. *Id.*

[53]. *See Shi*, *supra* note 11, at 437; *Osenga*, *supra* note 36, at 231-36.

[54]. U.S.P.T.O., Performance and Accountability Report Fiscal Year 2004, Table 6: Patents Issued, [http://www.uspto.gov/web/offices/com/annual/2004/060406\\_table6.html](http://www.uspto.gov/web/offices/com/annual/2004/060406_table6.html) (last viewed Nov. 18, 2005).

[55]. U.S.P.T.O. Performance and Accountability Report, Table 13a: Ex Parte Reexamination, [http://www.uspto.gov/web/offices/com/annual/2004/060413a\\_table13a.html](http://www.uspto.gov/web/offices/com/annual/2004/060413a_table13a.html) (last viewed Nov. 18, 2005).

[56]. *American Inventors Protection Act of 1999, Extension of Remarks*, 145 Cong. Rec. E1789-90 (Aug. 5, 1999) (remarks of Rep. Coble) (“Generally Title V is intended to reduce expensive patent litigation in U.S. district courts by giving third party requesters, in addition to the existing *ex parte* reexamination in Chapter 30 of title 35, the option of *inter partes*, reexamination proceedings in the PTO. Congress enacted legislation to authorize *ex parte* reexamination of patents in the PTO in 1980, but such reexamination has been used infrequently since a third party who request reexamination cannot participated at all after initiating the proceedings. Numerous witnesses have suggested that the volume of lawsuits in district courts will be reduced if third parties can be encouraged to use reexamination by given them an opportunity to argue their case for patent invalidity in the PTO. Title V provides that opportunity as an option to the existing *ex parte* reexamination procedures.”).

[57]. 35 U.S.C. §§ 301, 311 (2005).

[58]. 35 U.S.C. § 312 (2005).

[59]. *Id.*

[60]. *See* 37 C.F.R. § 1.906 (2005).

[61]. *See* 35 U.S.C. § 314(a) (2005).

[62]. *See* 37 C.F.R. § 1.947 (2005).

[63]. *See* 35 U.S.C. § 311(b)(1) (2005).

[64]. *See* 35 U.S.C. § 315 (b)(1) (2005).



[65]. Joseph D. Cohen, *What's Really Happening In Inter Partes Reexamination*, 87 J. Pat. & Trademark Off. Soc'y 207, 209 (March 2005) (quoting 145 Cong. Rec. E1790 (Aug. 5, 1999) (remarks of Rep. Coble)).

[66]. *See id.* at 208-10.

[67]. *Id.* at 208-09.

[68]. *See* U.S.P.T.O, Performance and Accountability Report Fiscal Year 2004, Table 13b: Inter Partes Reexamination, [http:// www.uspto.gov/web/offices/com/annual/2004/060413b\\_table13b.html](http://www.uspto.gov/web/offices/com/annual/2004/060413b_table13b.html).

[69]. Patent Reform Act of 2005, H.R. Res. 2795, 109<sup>th</sup> Cong. (June 8, 2005).

[70]. InsideCounsel.com, Reinventing the Patent Act (Oct. 2005) [http:// www.insidecounsel.com/issues/insidecounsel/features/56-1.html](http://www.insidecounsel.com/issues/insidecounsel/features/56-1.html).

[71]. *See* Patent Reform Act of 2005, *supra* note 69, § 321.

[72]. *Id.* § 324.

[73]. *Id.* § 321.

[74]. *Id.* § 322.

[75]. *Id.*

[76]. *Id.* § 323.

[77]. *Id.*

[78]. *Id.* § 325(a)(1).

[79]. *Id.* §§ 325(a), 325(c).

[80]. *Id.* § 325(d).

[81]. *Id.* § 327.

[82]. *Id.* § 328(a).

[83]. *Id.* § 328(b).

[84]. *Id.* § 330.

[85]. *Id.*

[86]. *Id.* § 332(a).

[87]. *Id.*

[88]. *See* 35 U.S.C §§141-44 (2005); Patent Reform Act of 2005, *supra* note 69, § 334.

[89]. Patent Reform Act of 2005, *supra* note 69, at § 336(a).

[90]. *Id.* § 338.

[91]. *Id.* § 338.

[92]. *Id.* § 338.

[93]. Amendment in the Nature of a Substitute to H.R. 2795, [http:// thnlk.com/ipo/Substitute.to.H.R..2795/643](http://thnlk.com/ipo/Substitute.to.H.R..2795/643).

[94]. *Id.* § 323.

[95]. *Id.*

[96]. *Id.* § 325(d).

[97]. *Id.* § 325(d)(3).

[98]. *Id.* § 325(d).

[99]. *Id.* § 325(d)(1).

[100]. *Id.* § 325(d)(2).

[101]. *See* Martin J. Adelman et al., Cases and Materials on Patent Law 27-28, (West Group 2d ed. 2003).

[102]. *See id.*

[103]. *See id.*

[104]. *See id.*

[105]. *See id.* at 28-29.

[106]. *See id.* (Discussing, for example, how “ome argue the need to keep up with the technological progress of market rivals might stimulate invention without further incentives, or non patent barriers to market entry may give enough protection from competition to make research and development profitable without patents.”).

[107]. *See* Shapiro, *supra* note 18, at 1028.

[108]. *See supra* Parts II.C, II.E.

[109]. *See* Kesan, *supra* note 17, at 1243.

[110]. Clarisa Long, *Patent Signals*, 69 U. Chi. L. Rev. 625, 675 (2002) (quoting Kaplow, *The Patent-Antitrust Intersection: A Reappraisal*, 97 Harv. L. Rev. 1813, 1889 (1984)).

[111]. National Research Council of the National Academies, A Patent System for the 21<sup>st</sup> Century 2 (2004) <http://www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf>.

[112]. *See* Shapiro, *supra* note 18, at 1034.

[113]. Mark. A. Lemley, *Rational Ignorance at the PTO*, 95 N.W. U.L. Rev. 1495, 1495-97 (2001).

[114]. *See id.*

[115]. *See id.*

[116]. *See* Farrell, *supra* note 33, at 949.

[117]. *See id.*

[118]. *See id.*

[119]. *See id.* at 948 (stating that an infringement case now costs roughly \$2 million for each party when there is \$1 million to \$25 million at risk); Megan Barnet, *Patents Pending*, U.S. News and World Report, June 10, 2002, at 33-34 (commenting that the price tag of \$4-10 million for an infringement suit is commonplace).

[120]. *See* Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313, 350 (1971) (holding that if one challenger prevails on patent invalidity, the result may be applied to all parties).

[121]. Farrell, *supra* note 33, at 954.

[122]. *Id.*

[123]. *See id.* at 953.

[124]. *See id.*

[125]. *See id.* at 954 (noting that this effect is even greater in a competitive market with an elastic supply curve and an inelastic demand curve).

[126]. *See* Shapiro, *supra* note 18, at 1017-18.

[127]. 35 U.S.C. § 282 (2005).

[128]. *See* Shapiro, *supra* note 18, at 1034.

[129]. *See id.*

[130]. *See id.* at 1033-34.

[131]. *See id.* at 1034.

[132]. *See* National Research Council of the National Academies, A Patent System for The 21<sup>st</sup> Century, 241, (2004), [http:// www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf](http://www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf).

[133]. *Id.* at 145.

[134]. Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy 6-7 (2003), [http:// www.promotetheprogress.com/ptpfiles/patentreform/misc/FTCreport.pdf](http://www.promotetheprogress.com/ptpfiles/patentreform/misc/FTCreport.pdf).

[135]. See National Research Council of the National Academies, A Patent System for The 21<sup>st</sup> Century, *supra* note 132, 8. [http:// www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf](http://www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf); see Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy, *supra* note 134, 7-8. [http:// www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf](http://www.promotetheprogress.com/ptpfiles/patentreform/misc/NASreport.pdf).

[136]. See *supra* note 132 and accompanying text.

[137]. Joseph Joubert, Recueil de Pensee de M. Joubert (1838)

[138]. See *Figueroa v. United States*, 66 Fed. Cl. 139, 152-53 (Fed. Cl. 2005) (rejecting the plaintiffs challenge to the constitutionality of Congressional diversion of PTO fees).

[139]. See Electronic Frontier Foundation, Patent Busting Project, [http:// www.eff.org/patent/](http://www.eff.org/patent/) (last viewed Nov. 18, 2005).

[140]. See Patent Act of 2005, *Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the Comm. on Judiciary H. of Rep.*, 109<sup>th</sup> Congress 42-43 (2005) (prepared statement of Daniel B. Ravisher, Executive Director, Public Patent Foundation).

[141]. See David G. Barker, *Troll or no Troll? Policing Patent Usage with an Open Post-Grant Review*, Duke L. & Tech. 2005 Rev. 9, 2-4 (2005) (discussing a situation where a patent troll purchased a company's patent portfolio at a bankruptcy auction and then asserted those patents even though the public had reason to believe the patentee's purpose in acquiring the patents was the creation of a public standard).

[142]. See *id.* at 2-4.

[143]. See *Patlex*, 758 F.2d at 602; Shi, *supra* note 11, at 436-437.

[144]. Amendment in the Nature of a Substitute to H.R. 2795, *supra* note 93, § 325(d)(3).

[145]. *Id.* § 325(d)(1).

[146]. Patent Reform Act of 2005, *supra* note 69, § 338.

[147]. See Hall, *supra* note 15, at 1008-09 (arguing against the admission of settlements to avoid collusion).

[148]. Patent Reform Act of 2005, *supra* note 69, § 322(b).

[149]. *Id.*

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