Sunday, March 28, 2010

Lighting Up America's "Innovation Assassin" Problem

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Special to TNAZ

Innovation. An often subtle and fragile thing in its start, even the electric light wrenched all in the then-prevailing lighting industry, from whale hunters to candlestick makers.

The engine of American innovation, and the nation's historic fortune, is "creative destruction" – a process where one innovation can obsolete an existing technology and the business units which rely on it, clearing the way for new business units and waves of new investment and jobs.

Examples of such "disruptive technology" are the daily surround of our lives -- cell phones, digital photography and the Internet. The American patent system was designed by the Constitution's Framers to protect the new and disruptive improvement in our lives, and to assure that inventors were rewarded for the genius of their hard work.

The inevitable response for owners of the older technology is to try to control new competitors, and, if that fails, to try to delay or block introduction of the "disruptor."

One of the new delay tactics is to hire patent lawyers who will serve as "innovation assassins" and use the various administrative procedures in the U. S. Patent Office known generically as Post-Grant Review or "PGR" to attack the validity of the Patents which protect the disruptive technology by having the Patents "Re-Examined". And in parallel, the new technology tied-up in as many years of litigation as possible, using the pendency of the Re-Examination as an excuse to delay and prolong litigation.

Today, two forms of Re-Examination are available. The easiest and least expensive for the Assassins is an ex parte Petition.

As the name suggests, the Assassin files a Petition explaining why the PTO should re-examine and revoke the patent. The PTO then gives the Patent Owner a chance to respond and review the patent claims with Senior Patent Examiners. The process now takes about 3 years and an appeal can add another two. Meanwhile, the patent's validity is in doubt, making its licensing problematic, and its enforcement even more, leaving the disruptive technology disconnected from its innovator and free for all to take.

Sharpening Knives. Will Congress allow the Innovation Assassins - slowly, repeatedly - to use their cutlery, dismembering patent rights?

If the Patent Owner prevails in the Re-Examination, the Assassins will file another Petition on behalf of someone else, on-and-on ad infinitum. Under Patent Office rules, the attacker gets to remain anonymous.

The other form of PGR is called an "inter partes" reexamination. It is a mini-trial conducted by the Patent Office. The process now takes an average of 3 years and an appeal can add another two. One of the major objections to the Senate patent bill (S. 515) which passed out of the Senate Judiciary Committee in the spring of 2009 was that it did nothing to stop such abuses. Rather than facing and fixing the PGR problem, the Draft compromise of S.515 which emerged just last month ignores the malignancy of Ex Parte, applies some band-aids to the fatally flawed Inter Partes, and introduces yet a third layer of PGR which is basically Inter Partes on steroids.

How many analogies will it take to describe the magnitude of the mis-match between the PGR problem and the S.515 solution? It's like putting sugar in the tank of America's economic engine, with a few pebbles to be sure that it grinds slowly to a halt.

The magnitude of the problem is reflected in the numbers published by the PTO and Federal Courts which are staggering. From 2002 through 2009:

- The absolute number of Re-Exams increased over 300% from 276 to 916;
- Average Re-Ex pendency mushroomed over 300% from approximately 18 months to 56 months; and,
- Over 70% or 658 of the 916 Re-Examinations filed were Ex Parte.

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Ex Parte is the lion's share of the problem because Ex Parte is cheap and risk-free for the Infringer, expensive and risky for the Patent Owner. Accordingly, it has become the weapon of choice for limiting the enforceability of Patents --- quite literally, a five-year "stay out of jail free" card. That is why over the same 2002-2009 period during which both the number and pendency of Ex Parte Petitions mushroomed by over 300%:

- The number of Ex Parte Re-Examinations associated with litigation skyrocketed over 700% from 52 to 372; and,
- The number of all Re-Examinations associated with litigation skyrocketed over 1000% from 52 to 592.

Any responsible piece of legislation must correct this abuse before attempting any further or other grand PGR scheme.

What is so frustrating about what the patent assassins are doing with the ex parte process is that they have destroyed a process that Congress created in 1981 that worked well until the late 90s, providing a cost-effective, quick, expert review of Patents. Ex Parte did not become a tool for abuse until its latency changed from one year to three years (now over four years according to PTO stats) as the PTO became bogged down by a lack of resources (fee diversion) and the Inter Partes procedure was piled on the PTO in 1999.

Allowing the PGR process to be expanded beyond a rigidly disciplined Ex-Parte proceeding completed in 12 months, and allowing the perversion of the Patent System by patent assassin abuse is systemically violative of fundamental notions of fairness and principles of American law, because the PGR process is:

- A proceeding in which the Patent Owner is bound by the outcome whatever it may be, but the Infringer is not bound, regardless of the outcome;
- A proceeding which insulates the Infringer from the possibility of being required to pay for its use of the patented technology, and also insulates the Infringer from the possibility of being prohibited from continuing to use the patented technology; and,
- A proceeding which enables the Infringer to create a hiatus in the enforceability of an issued Patent during which: (i) both the legal life and the commercial life of the Patent would continue to expire; and (ii) liability for past use would continue to lapse.

In sum, the so-called improvements made by the Senate Judiciary Committee in S. 515 are not improvements at all, nor are the many other provisions of S.515 and its counterpart HR.1260 "Reform" in any sense of the word. The Bills serve only the interests of the 15 corporate giants who have funded and forced these Bills for the past five years.

If they become law, HR.1260 and S.515 will destroy the engine of creative destruction at the core of America's past and future strength – innovation rightly rewarded.