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TO: Distribution List

FM: Daniel E. Leckrone, Chmn & CEO

RE: THE FAILURE OF S.515 DRAFT BILL TO  
ADDRESS THE PGR PROBLEM

I. THE DRAFT BILL IS SILENT ON THE MALIGNANCY OF EX PARTE.

A. Rather than facing and fixing the PGR problem, the Draft Bill 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.

B. How many analogies will it take to describe the magnitude of the mis-match between the PGR problem and the S.515 solution? Paraphrasing the words of Elizabeth Barrett Browning, "How have I missed thee, let me count the ways". It's like:

- Coming out of the Operating Room and discovering that the Doctor operated on the wrong knee; or,
- During target practice, hitting the ship towing the target, rather than the target; or,
- Defending the wrong beach-head.

C. As discussed in the attached Memo from Pat Choate, the numbers from the PTO and the Courts are staggering. From 2002 through 2009:

1. The absolute number of Re-Exams increased over 300% from 276 to 916;

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2. Average Re-Ex pendency mushroomed over 300% from circa 18 months to 56 months or 4.8 years; and,

3. Over 70% or 658 of the 916 Re-Exs filed were Ex Parte.

Since Ex Parte is the lion's share of the problem, why are the fundamentals of Ex Parte abuse not addressed in the S.515 Draft?

D. 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. And that is why over the same 2002-2009 period during which both the number and pendency of Ex Parte mushroomed by over 300%:

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

2. The number of all Re-Examinations associated with litigation skyrocketed over 1000% from 52 to 592.

E. Any responsible piece of legislation must correct this abuse before attempting any further or other grand PGR scheme. The 1999 Inter-Parties brand has failed miserably, as will this third brand --- both will further diminish the effectiveness of the PTO and our Patent System.

## II. POST-GRANT REVIEW MUST BE STRICTLY LIMITED

A. Please keep in mind that Ex Parte began life in 1981 and 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.

B. The solution lies in the immediate funding of the PTO, and the repeal of Inter Partes Re-Exam --- and certainly not in adding yet another resource-consuming layer per HR.1260 and S.515.

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C. Please also keep in mind the fact that Re-Examination must be strictly limited because it is systemically violative of fundamental notions of fairness and principles of law. More specifically, Re-Examination is:

1. 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;

2. 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,

3. 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.

The White Paper entitled "Why Post Grant Review ("PGR") Must be Limited" discusses the PGR issues in detail, and is attached as recommended reading.

Encl: Pat Choate: "The Omission of Ex Parte Reform in S.515"  
White Paper: "Why Post-Grant Review Must Be Limited"