



20400 Stevens Creek Blvd., Fifth Floor
Cupertino, CA 95014
voice 408-446-4222
fax 408-919-1234
www.tplgroup.net

RE: WHY POST-GRANT REVIEW ("PGR") MUST BE LIMITED

SUMMARY

- A. THE THREE PRIMARY OBJECTIVES OF THE PROPONENTS OF PGR DRAMATICALLY DISADVANTAGE PATENT OWNERS.
- B. WHY "ESTOPPEL" CAN'T SOLVE THE PGR PROBLEM.
- C. OTHER EFFORTS TO ATTACK PATENTS WITHOUT BEING EXPOSED TO THE RISK OF HAVING TO PAY FOR PAST USE, OR OF BEING DENIED ACCESS TO FUTURE USE.
- D. THERE IS NO SOCIETAL BENEFIT IN PROCEDURES WHICH RENDER THE REVIEW AND/OR ENFORCEMENT OF PATENTS MORE COMPLEX AND RISK-FREE TO THE INFRINGER.

-o-o-o-o-o-o-o-

A. THE THREE PRIMARY OBJECTIVES OF THE PROPONENTS OF PGR DRAMATICALLY DISADVANTAGE PATENT OWNERS.

1. Various forms of elaborate PGR have been a part of European and Asian Patent Systems for decades, and have proven to be instruments for limiting the enforceability and therefore the value of Patents, and ultimately limiting economic growth by discouraging investment in innovation.

2. The holy grail for proponents of PGR has always been and will always be a procedure which enables an Infringer to challenge and damage or destroy a Patent in the Valhalla of a proceeding which has three remarkable characteristics which dramatically disadvantage the Patent Owner. More specifically:

- a. 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;
- b. 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,
- c. 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.

3. In 1981 in response to continued pressure to inject a PGR procedure into the veins of the US Patent System which up until then had successfully eluded the PGR movement, the Congress created in the USPTO a unique form of PGR called "Ex Parte" which was carefully crafted to allow anyone at anytime to efficiently and effectively subject the claims of a Patent to an expert USPTO review --- and if found to be wanting, to be summarily either corrected or invalidated, and if found to be worthy, officially endorsed.

4. Because the Ex Parte procedural rules limited the review of the Patent's alleged shortcomings to a debate between the Patent Owner ("Patentee") and a designated Senior Examiner, and did not allow the continued participation by the challenger ("Petitioner"), the proceeding was in fact "ex parte". Accordingly, the impact of the outcome was carefully circumscribed to prevent prejudice to anyone other than the Patentee who was at risk of having his Patent weakened or invalidated.

5. More specifically, the Examiner's decision was subject to review by several levels of appeals, and no limitations were placed on either the Petitioner's ability to raise the same issues in a Court of law or to raise new issues against the same Patent in multiple subsequent petitions to the USPTO challenging the same Patent. Likewise, the Rules provided for no prejudice to any third party, other than the notion that new Petitions in the USPTO required new issues, not just a rehash of the resolved issues which the Petitioner remained free to rehash in a Court.

6. For two decades, the Ex Parte Re-Examination procedure was an effective quality control mechanism for the U.S. Patent System that delivered swift and certain results by validating worthy patents and narrowing or invalidating questionable Patents, without either:

a. Limiting the right of the Petitioner or others to continue the attack on the Patent in a variety of forums; or,

b. Exposing the Petitioner to the risk of having to pay for or stop using the patented technology.

7. Accordingly, for those two decades, the Ex Parte Re-examination procedure gratuitously delivered the first two elements of the holy grail of PGR proceedings. Unfortunately for the Infringers, the Ex Parte procedure failed to deliver enough delay to create for them a satisfactory hiatus in enforceability. Thus there emerged in 1999 a "new and improved" re-examination procedure called "Inter-Parte" which has proven to be sufficiently complex and convoluted that not a single case has gone full-term under its procedures, and the enforcement of the Patents involved has been marooned in a limbo of indefinite PGR. Moreover, the Inter-Partes procedure has in the process contributed mightily to paralyzing slow-downs in all PTO examination procedures --- pendency times for both initial examinations and re-examinations have nearly tripled since the introduction of the Inter-Partes procedure -- and to the degradation of the US Patent System which was once the envy of the world.

8. The protracted processing period at the USPTO for Inter Partes Re-exams is routinely exploited and "gamed" by Infringers in the Courts. Of the 734 Inter Partes Re-Examination requests filed as of the end of FY 2009, 498 or 68% were in litigation. And of the 68% in litigation, the Courts granted a "Stay" pending the outcome of the Re-Exam in the USPTO in 30% of those cases, thereby giving the Infringer a pass and denying the Patent Owner relief for another four-to-six years.

9. And still not yet sated, the proponents of PGR are pressing for yet another and even more complex and convoluted additional layer of procedures which if enacted will round out an unholy trinity of PGR procedures which will provide yet another way to bog down, hobble, and hamstring the PTO, and further extend the hiatus in enforceability against Patent Owners.

10. The heart and soul of every PGR proposal is the creation of yet another procedure which will create yet another opportunity for a "free shot" at an issued and presumptively valid Patent --- a shot on a one-way street where only the Patentee is bound, a shot in a gallery where there is no risk of having to pay or stop using technology owned by others, a shot which is inexpensive but ensnares the Patent and the Patent Owner in a web of unenforceability.

11. The Ex Parte re-examination procedure served the Patent System and America well for two decades, and will do so again if the PTO is allowed to operate free from the horribly inefficient and ineffective layers of PGR which the enemies of the Patent System try so desperately to impose on the PTO and the country --- Inter-Partes in 1999, and the so-called "second window" in 2009.

B. WHY "ESTOPPEL CAN'T SOLVE THE PGR PROBLEM

1. The US Legal System has labored mightily over the past two centuries to develop and evolve several doctrines which foreclose an entity's right to pursue a particular remedy based on related events --- various doctrines for various situations variously known as "res judicata", "issue preclusion", "mandatory joinder", "collateral estoppel" to name a few.

2. The development and evolution of these doctrines has resulted in rather clear and well-established guidelines and limitations on the extent to which an entity can be denied the right to pursue a remedy to which it is constitutionally entitled and which would be otherwise available but for its conduct in related matters, or even the conduct of others in related matters.

3. The law severely restricts such guidelines and limitations for obvious reasons --- it is difficult to justify the denial of basic rights on the basis of concepts such as "judicial economy" and the like. The notion of binding a person or entity to the outcome of a proceeding to which he or it was not a party is just plain foreign to our legal system.

4. The application of these doctrines requires a well-structured judicial proceeding in which sophisticated jurists experienced in the process analyze exhaustive briefs and apply the law with great precision. It is virtually impossible to

prevent Litigant B from asserting a position in lawsuit B just because the position was asserted by Litigant A in a prior proceeding, and any effort to regulate the abuse of the PGR process by somehow "estopping" or barring parties from their right to attack a patent faces the same challenges.

5. And even though the current USPTO rules require that a Petition for Re-Examination raise a "substantial new question of patentability" thereby barring such repetition in theory, 95% of all such Petitions are being granted by Examiners who are currently and for the next three-to-five years will continue to be dramatically over-worked and are forced to grant the Petition, thereby shifting the work of scrutinizing the Petition to the Patent Owner.

6. Therefore, even if the proponents of PGR could conjure up a set of rules which theoretically would in a perfect world prevent abusive PGR practices such as serial Petitions, Patent Owners live and must defend their patent rights in the real world --- a world in which PGR has dramatically limited the enforceability of patents, thereby dramatically reducing their value to the people who paid for the research, and making it cheaper and easier for the folks who did not pay for the research to use the research and profit from it.

C. OTHER EFFORTS TO ATTACK PATENTS WITHOUT BEING EXPOSED TO THE RISK OF HAVING TO PAY FOR PAST USE, OR OF BEING DENIED ACCESS TO FUTURE USE.

1. As the American economy grew and flourished fueled by investment in innovation, and the US Patent System became the envy of the world as the engine of that investment and innovation, flaunting a Patent by using the protected technology without purchasing a license was risky because when brought to the bar of justice, the Infringer's usually shaky and often baseless assertions of non-infringement and invalidity could only be tested in the context of a trial which could result in an immediate Judgment ordering payment for prior use and prohibiting future use.

2. Just as corporate scofflaws sought to escape paying the price for violating the Anti-Trust laws by urging that the issues should be taken away from the Jury and decided by the Judge because the Jury wasn't "smart enough" to understand "complex patent issues", the same scofflaws are now seeking to avoid paying the price for Patent infringement. They now urge that various issues in Patent infringement cases likewise be

taken away from the Jury and given to the Judge --- without regard to the Patent Owner's constitutional right to a Jury trial.

3. Their first success in the Patent arena came in 1996 in the Markman case when the Supreme Court decided that the meaning of the words used in the Claims in the Patent --- so-called "claim construction" --- should be the province of a Judge's decision notwithstanding the Patent Owner's constitutional right to a Jury trial. Thus the so-called "Markman Hearing" sprung forth full grown from the Courts.

4. The only disadvantage for the Infringer in the current Markman Hearing procedure is that the Judge's ruling is an "interlocutory order" which cannot be appealed until after the trial --- in other words, the Infringer can't get the case put on hold pending the outcome of an appeal from an adverse Markman ruling.

5. Accordingly, changing the rules to make the Markman ruling appealable is on the Infringers' very long "wish list" which has been the basis for the anti-patent legislation (currently S.515 and HR.1260) being funded and driven by a group of 15 serial infringers masquerading under the euphemism "Coalition for Patent Fairness" or "CPF" for the past five years.

D. THERE IS NO SOCIETAL BENEFIT IN PROCEDURES WHICH RENDER THE REVIEW AND/OR ENFORCEMENT OF PATENTS MORE COMPLEX AND RISK-FREE TO THE INFRINGER.

1. It is no coincidence that the most effective Patent system in the world has historically relied on the most effective judicial system in the world to resolve Patent disputes.

2. Each and every assertion by those seeking to change that incredibly effective equation has been proven by expansive and well-documented research to be baseless --- most notably the CPF's claim of a "litigation explosion" which is debunked by Federal Judicial Statistics which prove that Patent litigation has remained constant at about 1.5% of issued Patents for over three decades. And the similarly baseless stories of "runaway juries", stories which omit the inconvenient truth that in each of the cases identified, the judicial system has itself corrected the inappropriate verdict.

3. The Ex Parte re-examination procedure has in the past and can in the future provide an effective complement to the Judicial system by providing an effective review of substantive questions regarding a Patent in a carefully balanced and expedited procedure. Beyond that, more complex PGR procedures serve only the interests of delay and denial of justice.

4. Nor is it a coincidence that the same Federal Judicial Statistics show that these 15 CPF companies which lead the attack on the Patent System were sued for Patent infringement 730 times over the past 13 years, and during the same 13 year period, were fined or otherwise punished for anti-trust violations 640 times. There is no more perspicacious explanation for their relentless attacks, and there is absolutely no reason to reward their aggressive arrogance by punishing Patent Owners.

5. PGR is at best a "zero-sum game" for the Patent Owner. The most he can end up with is exactly what he started with, a presumptively valid Patent --- that is the Patent Owner's only return for the lost time, wasted money, and exposure to the risk of having his Patent asset damaged or destroyed.

6. In the final analysis, additional PGR should be rejected out of hand, in conjunction with the repeal of the failed Inter-Partes procedure.

7. It is not an overstatement to say that simply by limiting PGR to the Ex Parte procedure, and increasing the funding of the Patent Office enabling it to hire, train, and update its resources will resolve and cure 99% of what currently ails the US Patent System, thereby restoring confidence and accordingly investment in innovation and new jobs in America.

x x x x x x