

**DEPARTMENT OF COMMERCE  
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*Statement of*

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Supplementing Testimony of Prof. Harold C. Wegner  
at the *Round Table Meeting Regarding The Equities  
of Inter Partes Reexamination Proceedings*

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We are pleased to supplement testimony from the captioned hearing. We focus, here, upon the issue raised by the testimony of several panelists: Should there be a *deadline* for filing an Administrative Patent Revocation proceeding or should such an APR be open throughout the life of a patent?

We are attorneys with the firm of Foley & Lardner; we work closely together on reexamination matters and have had the opportunity to participate in and observe the workings of the reexamination system. Our testimony is *pro bono* and does not necessarily reflect the views of any organization or client.

## **EXECUTIVE SUMMARY**

Although there are strong reasons for limiting the time period for seeking an Administrative Patent Revocation – APR, the weight of opinion today favors a time-unlimited system. (By “APR” is meant any of the current “inter partes reexamination”, an “opposition”, “revocation” or other post-grant administrative proceeding.) But, at some point in time, for example, one year after grant, a statutory discouragement against late filing should be put in place: It is suggested that any APR filed more than one year after grant should be conducted under a statutory presumption of patent validity patterned after 35 USC § 282.

## **PROBLEMS WITH AN OPEN ENDED SYSTEM**

While it is likely that any APR system that is implemented will not have a time limit for filing, there are two main points that cannot be overlooked which suggest a time limitation:

### **(1) Anti-Competitive Impact of an Open Ended System**

Without proper checks, a time-unlimited system is anticompetitive. Under such a system, those with prior art may unilaterally defer APR filings to benefit from the *apparent* strength of a patent, while industry at large suffers from the presence of an invalid patent to block competition.

Thus, one of the main benefits of an APR regime is to implement the public policy of *Lear* that announced a "strong federal policy favoring free

competition in ideas which do not merit patent protection." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 142 (1969)(quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969)). Per *Lear*, "all ideas in general circulation [should] be dedicated to the common good unless they are protected by a valid patent." *Id.*, 498 U.S. at 159-60 (quoting *Lear*, 395 U.S. at 668).

But, an efficient and robust APR system should prove very helpful to the *Lear* goal of cleaning out invalid patents. However, an APR system that does not encourage the *earliest* elimination of invalid patents permits the holder of a weak patent to have an *apparently* strong patent position to frustrate competition until late in the life of a patent.

By having no time limit on the period for requesting an APR, a potential challenger to a patent with a strong defense to the patent has no incentive to bring an APR at an early date. He may first use the shield of another's *apparently* valid patent to start commercialization efforts as the only competitor to the patentee. Then, only if and when challenged by the patentee, an APR action is launched. Late filings like this frustrate the goal of *Lear* to weed out invalid patents at an early date, and gives the competitor who sandbags the APR filing an unfair advantage.

An early filing of APR's thus is consistent with the goal of eliminating invalid patents. This has been repeatedly stressed by the Court since

nineteenth century cases such as *Pope v. Gormully*: “It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly[.]” *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 658 (1983)(Stevens, J., concurring)(quoting *Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892)).

The public policy behind encouragement of an *early* determination of invalidity is explained by the *Transition Electronic* case: “In *Troxel [Manufacturing Co. v. Schwinn Bicycle Co.]*, 465 F.2d 1253 (6th Cir. 1972),] the Sixth Circuit discussed the reasons for th[e] rule [that royalties should not be refunded to a successful licensee who has challenged a patent], emphasizing the equities between licensor and licensee, and the policies favoring early adjudication of patent validity and encouragement of the use of the patent system by protecting the security of royalty income. The *Troxel* court pointed out how undesirable it would be if a patentee took all royalty payments subject to the danger of having to disgorge them at an uncertain future date to a licensee who, during the period in which the royalties were paid, had himself enjoyed the protection of the patent and immunity from suit under it. Were the law thus, the value of patents might be so diminished as to discourage inventors from procuring them, with the result that inventions would be kept secret rather than publicly disclosed as the patent system requires. We fully agree with the reasoning in *Troxel* and accept as a general rule that a licensee may not recover royalties he has already paid for use of a patent which is subsequently declared invalid.” *Transitron Electronic Corp. v. Hughes Aircraft Co.*, 649 F.2d 871, 874 (1st Cir. 1981).

## **(2) Quiet Title to Facilitate Patent-Based Investments**

Another reason not to permit challenges against patents late into the patent term is the public policy objective that at some point the patentee should enjoy quiet title to his intellectual property right.

If the patentee is to make a patent-based investment that could run into the hundreds of millions of dollars – as in the case of a pharmaceutical that needs approval from the Food & Drug Administration, a challenge late in the term of the patent could be disastrous. If third parties could easily challenge patents late in the life of a patent, this could present a chilling impact for future Wall Street investments in emerging companies that are seeking market approval of new products. Thus, at *some* point in the life of the patent – the sooner the better – challenges against patents should be made more difficult.

## **THE PROBLEMS WITH A TIME-LIMITED SYSTEM**

Why, then, should a time-unlimited system be favored versus the two public policy objectives fostered by time-limited systems? The time-limited opposition system has proven to be a failure.

The two most important opposition system models in the world are found in the European Patent Office with a nine month opposition period and the Japan Patent Office with a six month opposition period.

The European system has been on a gradual pathway to failure since it first effectively came into operation in the early 1980's. (The system was introduced in 1978, but only later did patents start to *issue* – necessary for an opposition to be filed.) German companies seeking to knock out patent rights in their home territory clearly prefer to go to the *Bundespategericht* vis a vis filing an opposition in the European Patent Office. The *Bundespategericht* proceeding is very efficient. The *Bundespategericht* proceeding takes roughly a year – whereas an opposition may take many years.

Ten years ago, Japan introduced a much praised post-grant opposition system. But, over the years, the system has proven to be a failure as fewer and fewer third parties have used the post-grant opposition. The proof of the Japanese pudding is in the fact that last year the Diet *abolished* its opposition system altogether. This change has *already* been implemented, effective for patents granted on or after January 1, 2004. In its place, Japan has introduced an invigorated APR system – a trial for invalidity that is prompt and commences at the level of a Trial Board and is *time-unlimited*.

## **AN EARLY STATUTORY PRESUMPTION OF VALIDITY**

The dilemma, then, is to achieve the benefits of an open-ended system while mitigating the detriments. A solution is to provide an open-ended system with statutory discouragements to late filing.

It is therefore proposed that claims in any APR commenced more than one year after the grant of the patent should be subject to a statutory presumption of validity under 35 USC § 282. If this were done, it would be very difficult to invalidate a patent under an APR *other than* for a strong prior art defense. Certainly, close issues of enablement under 35 USC § 112, ¶ 1, would be difficult to establish versus such a statutory presumption of validity.

Thus, assuming that an invalidity challenge under any modified APR system would permit validity challenges for lack of enablement under 35 USC § 112, ¶ 1, third parties would then make such challenges through an invalidity attack *before* the expiration of the one year period. There is no need to have a time-unlimited APR based upon 35 USC § 112, ¶ 1. The situation is entirely different from prior art defenses which may not become known for many years due to the obscure nature of some prior art. To the contrary, challenges under 35 USC § 112, ¶ 1, are readily apparent on the face of the patent. Third parties will be able to make up their minds about such an attack within the one year period.

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There are many other issues that are present in the creation of an ideal APR system. This statement is limited to this one issue raised by the several panelists at the hearing.

Thank you for considering these comments.