

LITIGATORS CORNER:

Post-Grant Opposition: Building on Sand



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Imagine that there's a thunderstorm, and the basement of your home is leaking. Cracks in the basement walls are seeping water. You have a sump pump, but there was lightning with the storm and it knocked out your electricity so the sump pump didn't start. There's a back-up battery for the pump, but the battery hasn't been tested or used in ten years and is now dead, because you were short of money and decided to forego getting a new battery. The water from the heavy rain has saturated the ground. Everything you've stored there is in danger. Water pours into your basement. You are up to your ankles in it. Disaster threatens all your belongings.

How do you fight it? Do you put air conditioning in to de-humidify the air? Of course not. Do you put on a new roof? No, that wouldn't do any good, either. Like any sensible person, you attack the problem at its source. You cannot stop the rain, but you can move the things stored in your basement upstairs or to higher shelves, and you can get a new battery for the sump pump. Whatever you do as a sensible person, you wouldn't

start repairing the first story of your house when the foundation is in jeopardy.

So why are we trying this approach with patent law? Lord, please save us from the reformers. We've adopted reexaminations that by law are supposed to be completed with special dispatch. We established a special, national court to deal with patent law. We imposed user fees so the PTO – please stop me from laughing – would be self-supporting. We adopted a publication system, principally so we could be more like those countries the Founding Fathers and every immigrant left behind. We tinkered with so-called “submarine” patents by reducing the lives of patents. We toyed with a “business methods” statute. We tinkered with reexaminations. We've got proposals to dump our first-to-invent system in favor of a first-to-file scheme. Our specialized court has nearly abolished the doctrine of equivalents. We said in 35 U.S.C. § 287(c)(1) that inventors of patents for medical methods are not entitled to relief. We've done everything but pay the bill to keep the lights on.

Now we've got a proposal to have – just like Europe – a post-grant opposition proceeding. We are promised by its proponents, the American Intellectual Property Law Association and the IP Law section of the ABA, that this new scheme is the grail. It will solve all our problems and, *mirabile visu*, as my Jesuit Latin teacher would say, such proceedings will all happen expeditiously.

Are we really dry behind the ears? How many promises of speed have we heard? The reexamination system was supposed to be speedy. But, as I pointed out in my June 2003 column, *What's Wrong With the Patent Office?*, the system requires the patentee to go fast, but the PTO can't abide by the statute. Why does all this remind me of the promises about how little Medicare would cost, or how trust funds are sacred and will never be invaded?

Our constitution – unlike many European countries – provides that civil litigants are entitled to a jury trial. Patents are, of course, property. Title 35 says so. But one recent paper I have read, *Prospects for Improving U.S. Patent Quality via Post-grant Opposition*, says that we should have a post-grant opposition proceeding, and offers as a justification the experience of European

countries. But none of these countries has a constitution, which provides for resolution of civil disputes by jury trial. Their preference for using government agencies and bureaucrats is not consistent with our Constitution and Bill of Rights, which restrain government's role. Thus, the desire to emulate Europe is not sound reasoning.

This same paper says that the PTO is not presently able to do its job. It says:

The recent surge in U.S. patenting and expansion of patentable subject matter has increased Patent Office backlogs and raised concerns that in some cases patents of insufficient quality or with inadequate research of prior art are being issued.

Will someone tell me how “patentable subject matter” has “expanded”? The only thing that comes to my mind is the decision by the Federal Circuit in *State Street*. The author of that decision was Giles Rich, who knew that this was no expansion at all. The decision did not add to patentable subject matter. On the contrary, it only said that a patent was not necessarily invalid simply because it employed a computer system to achieve results that were useful in a business.

And why have backlogs in the Patent Office increased? Why are some patents slipping through that shouldn't be getting through? The authors of this paper admit, as everyone knows, that the Patent Office has been short-changed. As of 2000, the PTO has lost about a half-billion dollars in diverted user fees since 1990. The shortfall may now approach a billion dollars. As I said then, what would happen in your household if your family lost one-third of its income? Congress reserved the right to divert funds from the user fees paid to the Patent Office. This diversion continues to this day.

These authors cite their Table 1 as evidence that the patent system has only begun to malfunction in recent years. Their table includes no patent prior to the 1990s. But the argument that the patent system hasn't misfired until recently, and now only in the arena of software patents, doesn't hold much water. In *Agawam Co. v. Jordan*, 74 U.S. 583 (1868), the patent owner did not apply in time for a renewal of his patent because of an error by the Patent Office. Congress passed a special act authorizing the application. Or see any of these patents: 1976 U.S. Patent No. 3,936,384, where the invention is a bar of soap with a religious inscription; Patent No. 5,632,235, “Pet Floatation Aid, Walker, and Method,” which includes a method claim that spans four or five columns and includes seventeen steps; the bird diaper, 2,882,858, in



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1958; preserving a dead person's head in a block of glass, 748,284, in 1903; and water-walking "boats" for your feet, 22,457, in 1858. Many of the reformers see Patent Office mistakes only in the context of recent events, which leads them to the erroneous conclusion that the problem is caused solely by recent technological changes such as the widespread use and development of computers and software.

These same authors explain that there is an "environment of greater deference to the rights of the patentholder" and complain about the "pro-patent" stance of the Federal Circuit. Huh? The doctrine of equivalents is well into *rigor mortis*. Every inventor and patent-owner has to run the gauntlet of claim construction, where one human mistake costs him the benefit of his creativity. Hindsight requires perfection. The pendulum of summary judgments has swung to the other extreme from twenty years ago, when such motions were often denied on the ground that they were too complex. Today, I cannot recall a single court denying a summary judgment motion because it was too complex, and therefore that the risk of error is too high. Courts rush headlong into summary judgment motions now. Judge Milton Shadur of the Northern District of Illinois refers to it as the "summary judgment industry."

This same paper says that "[b]esides the statutory requirements, a fourth criterion for granting a patent on an invention is that the patent application must disclose sufficient details about the invention." Goodness. All along I thought Section 112 was a statute because it is in Title 35, just like Sections 101, 102 and 103.

The article says that reexaminations take "less than two years, slightly shorter

than the average duration of a lawsuit (31 months)." That's news to me. As I reported in my article, *What's Wrong With the Patent Office?*, I had two reexaminations in a rather simple case. The patentee was routinely required to respond to actions by the PTO in thirty days. The PTO, however, didn't abide by Section 305, which requires that "all reexamination proceedings . . . will be conducted with special dispatch." The PTO routinely took six to nine months to respond to anything we sent in. One reexamination took three years. The other took five years. Appeals were necessary in both cases. Each appeal took well over a year. I am amazed that a section of the ABA thinks we can have a "Board of Patent Adjudication" that will have adequate time to hear live testimony from experts and rule on validity questions, all within a few months. As Cuba Gooding's character Rod Tidwell said in the movie *Jerry Maguire*: "Show me the money." It isn't going to happen if it isn't paid for.

The saddest part of this article is that it makes the reformer's typical mistake: it compares the alleged disadvantages of the present system with the imagined advantages of the reformer's proposal. Nowhere is there a realistic comparison of the benefits of current practice with what might go wrong with a post-grant procedure.

What are the potential problems we ought to be thinking about if a post-grant procedure is adopted? One is trusting an administrative agency with a new task when it is abundantly clear that that same agency is hobbled in completing the tasks it has now. The PTO just hasn't got the funds to do its first job, much less take on a second one. According to a recent issue of the *Patent, Trademark and Copyright Journal*, some

lawmakers in the Senate are objecting to a provision in the Patent and Trademark Office Fee Modernization Act that would stop fee diversion. If the PTO cannot do its first job right, how can we expect it to do yet another job? Adopting a post-grant opposition simply distracts us from the real problem: an inadequately funded and staffed PTO.

Second, what will happen to the lifetime of a patent with this additional procedure? Patents are what the law calls a wasting asset; they have limited lifetimes. With a post-grant procedure, their true lifetimes will be even shorter. How does that serve the incentive to invent?

Third, what will happen to litigation? Will it become simpler because a patent has gone through a post-grant proceeding? Not likely. Here are the problems: the defendant in a lawsuit will find different prior art; there is always something out there that the examiner hasn't looked at. The same will be true in a post-grant proceeding. The defendant in the lawsuit won't be estopped by the post-grant proceeding unless that same defendant was a party to that post-grant proceeding. And, if all else fails, there will be the old fall-back: inequitable conduct was committed in the post-grant proceeding because the patent owner diddled the "Board of Patent Adjudication," by failing to disclose something, or by making a misleading argument.

As the Good Book says, only a foolish man builds his house on sand. But that is what we are doing, and economists and lawyers – all alleged experts – are telling us to put on a new roof when the basement is flooding and the sump pump won't work. This problem won't be solved until the Patent Office has the tools to keep the basement from flooding. **IPT**