

# LITIGATORS CORNER:

## Dear AIPLA: Keep Our Message Consistent



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In July, 2002, the AIPLA told Congress that fee diversion from the PTO should be stopped. It took the position that patent quality should be improved, that pendency should be reduced, and that the PTO should develop an electronic system for patents. The AIPLA “strongly oppose[d]” the fee bill for the PTO and “reiterated [its] strong opposition to any diversion of patent and trademark fees.”

In the same testimony, the AIPLA said post-grant proceedings were not the answer to improving the quality of patents:

While AIPLA has long advocated and supported a robust post-grant opposition system, we do not agree with the emphasis of the PTO on using such a procedure as an integral part of its quality enhancement plans. In our view, the PTO should “get it right the first time.”

The AIPLA concluded by telling Congress:

For the reasons stated above, we urge the Subcommittee to reject the PTO's proposed fee bill. We have heard the dire prediction that if this fee bill is rejected, the PTO will not be given sufficient funding to carry out its Strategic Plan. We find that prospect considerably less frightening than a fee bill that prices the inventing community out of the patent system.

Amen. Right on.

But, since that time, the AIPLA has changed its focus. It has de-emphasized, if not abandoned, its earlier, correct message, for reasons that are not clear. The fee diversion that harms the PTO's ability to do its job still exists. But now, instead of continuing to testify about the need to remedy the fee diversion problem, the AIPLA is espousing a post-grant opposition. In testimony to Congress in June 2004, the AIPLA proposed a post-grant procedure that it said would take no more than one year to eighteen months, excluding appeals. (Of course, we were given the same promise on reexaminations.)

The AIPLA's proposed opposition smacks of the Star-Chamber. In it, the initiator of the proposed post-grant proceeding can keep its identity secret. Nothing like anonymous informants. Certain issues would be excluded from any such opposition: best mode under § 112, priority of invention under 102(g), issues under 102 (c) and 102(f) and anything dealing with the “state of mind of the inventor.” Thus, the patentee would not get to resolve validity issues once and for all in an opposition, even against the initiator of that opposition. Another change is that the AIPLA now says an opposition should encompass challenges under § 101, even though it recommended against that in earlier statements to Congress.

Even the secret party that initiated the post-grant proceeding gets another bite at

the apple: if the patentee wins the post-grant opposition, the patentee will face additional issues in a district court suit where the initiator-defendant (assuming the patentee ever discovered its identity) can raise — you guessed it — inequitable conduct, the refuge of the defendant with no real defense, except a smear campaign. Under the AIPLA's proposal, a party to the opposition still can raise issues in a later lawsuit, even those issues decided in the opposition. The AIPLA proposes that a party to an opposition be allowed to repeat issues so long as there is “additional factual evidence that is material to an issue of fact . . . that could not reasonably have been discovered . . . in the opposition proceeding . . .” The proposal does not even attempt to deal with inequitable conduct, an issue that the Federal Circuit has called a plague on the patent system. The upshot is that there is little, if any, finality in an opposition for a patent owner.

Parties other than the initiator would still be able to request reexamination of the same patent, after the opposition. That's running a gauntlet. At this rate, we'll all be dead and the sun will be an icy cinder before the status of the patent in question is resolved. Yet there's no proposal here for term restoration, even if that were feasible in light of the march of technology. Years of a patent's life will be lost due to administrative proceedings, even if they aren't protracted. The lack of funds insures that oppositions, and other proceedings in the under-funded PTO, will be excessively delayed in too many cases. Statutory assurances are meaningless without the money to back them up.

The AIPLA looks to the EPO for statistics on how many patents were opposed in Europe, and bases its further reasoning on the assumption that about the same number would be opposed in the U.S. But, if a U.S. post-grant proceeding works as well — or as badly — as reexaminations do here, then people will initiate them as a means of delay.

I eagerly read the 2004 AIPLA testimony to see how it would recommended fitting this new PTO structure into the PTO's already stressed budget, but there was nothing there. A post-grant opposition would be a big change to our patent system. But, other than estimating that a “substantial number” of people would have to be hired as administrative judges, the AIPLA's proposal does not estimate the cost of post-

grant proceedings, whether to the PTO, the initiator, or the patentee. It doesn't even say that these costs are unknown. There was no cautionary note that, for example, stopping PTO fee diversion would increase patent quality and decrease the number of post-grant proceedings that might be necessary. There was no mention of the PTO having the resources to "get it right the first time."

It makes no sense to establish new, expensive and time-consuming procedures until the underlying problem has been resolved. At an earlier time, the AIPLA recognized the real problem. In May, 2001, the AIPLA foreshadowed my August, 2004 column, *Post-Grant Opposition: Building On Sand*, when it told Congress:

Before turning to the specific comments that AIPLA wishes to make regarding the needed improvements to the existing reexamination procedures and/or possibly augmenting these systems with an opposition system, we feel compelled to comment on what we perceive to be a much more urgent and compelling problem: the fiscal crisis confronting the USPTO. As important and needed as strengthening the post-grant procedures of the Office is, the improvement of these procedures in this time of crisis is, to use a hackneyed cliché, truly like rearranging the deck chairs on the Titanic [sic: Titanic]. The imperative of improving the procedures for strengthening U.S. patents recedes drastically when we are facing a situation where inventions in an increasing number of areas may well not issue until after their commercial life has expired.

The AIPLA referred to a plan from the PTO as containing a "pollyannaish assumption." The AIPLA said, "We need to face what is happening in the USPTO — the rapidly deteriorating engine of high tech products and services for this nation." It asked, "What can we imagine might be the pendency if an additional \$733 million is diverted in fiscal years 2003 through 2006? This essentially abolishes the patent system in any field where new products have a cycle life of less than five years, and perhaps even longer."

How times have changed. Is it time for the AIPLA to stop telling Congress that it represents the views of all its members?

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One of its statements to Congress indicates the widespread agreement about its recommendations; but only two corporations are identified as supporting the AIPLA's recommendation.

The AIPLA's testimony in both 2001 and 2002 delivered the right message, and did so consistently and strongly. It noted in 2001 the "chronic under-funding of the USPTO has been the *modus operandi* of the Executive Branch and Congress for the last ten years." In addition, the AIPLA said there was a crisis that needed attention before thinking about new procedures, such as post-grant oppositions. But now, in 2004, when the funding problems continue to exist, and as the Titanic sails blithely toward the berg, the AIPLA has lost focus and wandered off to the imagined Eden of post-grant proceedings that we don't have the money to pay for. In other words, build another Titanic.

We have no hope of a better Patent Office until it has the funding it needs. What is more, every cosmetic, non-monetary change that is made, which does not address the underlying problems in the PTO only makes the problem worse, not

better. If a post-grant opposition procedure is adopted under these circumstances, there will be too many oppositions. And those oppositions, like reexaminations that do not comply with the statutory mandate, will take much longer than the promised twelve to eighteen months. Nor will they eliminate, or even do much to simplify, litigation. They will, unfortunately, only complicate it further.

Our Congress is busy. Every group advancing its cause must fight for attention. It is imperative that, when the IP community gets a chance to speak, it does so with only one message: the PTO will not have a chance to improve until fee diversion ends. The AIPLA, as one of the main organizations to speak on this issue, owes us more. A properly funded PTO benefits everyone, patent owner as well as any who might be accused of infringing. The present lack of focus hurts. As this column was being written, the AIPLA reported that the Senate had decided not to accept a House proposal that would end fee diversion. Getting off the message with post-grant oppositions is hurting us all. **IPT**