

# LITIGATORS CORNER: Another Horse in the Race



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**N**ow, there's another patent reform bill, this one sponsored by Senator Jon Kyl of Arizona. Supposedly, this bill, according to a statement released by Biotechnology Industry Organization (BIO) President and CEO Jim Greenwood, "is a vast improvement over previous bills in the House and Senate with respect to many of the discrete issues and concerns raised by BIO, patient groups, universities, labor unions and many other stakeholders over the past two years." Mr. Greenwood made this statement in a press release published on the Business Wire on September 25, 2008.

BIO is described on its website as being "the world's largest biotechnology organization, providing advocacy, business development and communications services for more than 1,200 members worldwide." Its mission "is to be the champion of biotechnology and the advocate for our member organizations — both large and small." One of its areas of concern and advocacy is intellectual property. Unlike the Coalition for Patent Fairness (which supports Senator Leahy's patent reform bill), BIO lists its members on its website. When you check the Coalition's website to see who its members are, you get bloviating: "The Coalition for Patent Fairness is a diverse group of companies and industry associations dedicated to protecting consumers and enhancing U.S. innovative

potential by strengthening our nation's patent system." Last January, I noticed that the website for the Coalition, which I often refer to as the "Coalition for Fairness to Foxes in the Henhouse," included a contact email address, [info@patentfairness.org](mailto:info@patentfairness.org). Well, I thought, that's nice; maybe I can get some information. I emailed the Coalition and said, "Hi. Can I have a list of the companies that are members of your organization?"

I also asked the Coalition, "Do you have data on how much your organization has contributed to any elected officials? If so, is that available, as well?" (Of course, that information was not available on its website, either.) Nine months later, I am still waiting for an answer. I feel like I must have inadvertently written the KGB, asking for a list of its spies.

The Coalition's website includes a link to "our members." But that page doesn't actually list any members. Instead, it says: "Click the State on the map below to see the companies that support patent reform and have signed various letters to Congress, urging lawmakers to pass the Patent Reform Act of 2007." When you do that, the list that appears seems to contain the names of the same thirty or so companies for every state. However, a press release issued by the Coalition identifies only twenty-two companies as members. So is it twenty-two, thirty — or something else? And who exactly are the "small businesses" that the Coalition says are its members? Good heavens, has the Coalition recruited any individual inventors as members?

In its own press release, dated September 24<sup>th</sup>, the Coalition gives Senator Kyl the back of its hand:

The legislation offered by Senator Kyl today will not fix the nation's patent system, which is broken and draining critical resources from healthy sectors of our economy. We appreciate Senator Kyl's efforts to address two critical issues: the flawed system for valuing patents and the approval of poor quality patents. Unfortunately, Senator Kyl's legislation stops short of the necessary changes to address these issues which were included in the bi-partisan Patent Reform Act of 2007.

There's no "we'll-work-with-you" approach from the Coalition; just my way or the highway.

What does this new bill propose? There are quite a few changes in it. Some are okay. Some are not. Maybe I am a reactionary, but I believe in making the Patent Office do its job. I don't think either bill — Senator Kyl's or Senator Leahy's — would do that.

One good thing the Kyl bill does is modify § 42 of Title 35 so that the fees paid to the Patent Office would no longer be so easily diverted. The words, "to the extent and in the amounts provided in advance in appropriations Acts," are removed from § 42. It would also establish a revolving fund that would not expire with the end of a fiscal year.

Unfortunately, the bill does not address the ruling about method claims in *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005). RIM's Blackberry push email system was accused of infringement. Both RIM and its servers are based in Canada. Messages are sent through the Blackberry Relay in Canada to and from an individual's Blackberry. RIM said it did not infringe under § 271(a). The Federal Circuit had to decide "whether the using, offering to sell, or selling of a patented invention is an infringement under § 271(a) if a component or step of the patented invention is located or performed abroad." 418 F.3d at 1315. *NTP* held that each step of a method claim had to be performed in the United States; otherwise, there was no infringement by use of the method. 418 F.3d 1318.

The Kyl bill would repeal § 157, regarding statutory invention registrations. Rather than repealing that section, I would like to see it expanded along the lines of the registration system I proposed in my October, 2008 column, "To the Next President: What Real Patent Reform Would Look Like." The Kyl bill does not provide what I think is an attractive alternative. I do not understand why patents should be different from copyrights. Registration works for copyrights; why not try it with patents?

The bill would also dramatically change how inequitable conduct allegations are handled. But the proposed changes are not worthwhile, in my opinion. First, resolution of a claim of inequitable conduct, made during litigation, would be taken away from a court, and transferred to the Patent Office. To me, that makes little sense, given the backlog in the Patent Office.

An even greater problem with this bill is that a referral to the Patent Office can

be provoked by a motion in a lawsuit. That motion need only satisfy a court that “it is more likely than not” that the Patent Office was misled. Once that occurs, the court “shall order the patent to be made the subject of a reissue application under Section 251.” The patent owner then has two months to file a reissue proceeding. If he fails to do so, a judgment of unenforceability must be entered. The Patent Office, with its sterling reputation for speed, then takes over. Claims cannot be broadened as presently provided in § 251, when the reissue application is filed within two years of issuance of the original patent.

If the Patent Office rejects any claim in the patent that is asserted in the litigation, the litigation can be stayed. That’s legalese for being put in deep freeze while the Patent Office conducts a reissue.

The Kyl bill arms the Patent Office with a guillotine. If the Patent Office decides that there is misconduct, those involved can be fined up to \$150,000 for an act of misconduct, up to \$1,000,000 for a pattern of misconduct, and up to \$10,000,000 for exceptional cases amounting to fraud. Wow. All that is required to trigger a proceeding is probable cause. So, call your malpractice carrier, and reconsider whether you want to prosecute patent applications. There will certainly be a lot more CYA letters from lawyers to clients. And, by the way, the fines won’t go to the PTO. They will go to the Treasury, even though it was the PTO that was supposedly deceived into issuing a patent that should not have issued.

The low burden of proof and the possibility of a stay in this bill would be manna to infringers. Inequitable conduct is already being abused, as the CAFC has noted. The provisions in this bill would make abuse more likely. I wish Congress would take a close look at European experience with this issue.

This bill, like Senator Leahy’s, creates a post-grant opposition, but there are two kinds here. There is a first-period proceeding, where the burden of proof is by a preponderance, even though there has been an examination. The grounds for second-guessing the PTO are broad: anything in Part II of Title 35, § 112, or § 251. A first-period proceeding is one initiated within nine months of the issuance, or reissue, of a patent. Talk about the Stalingrad defense. A second-period proceeding, after nine months, is limited — ha ha! — to §§ 102 and 103, and printed publications and patents.

A reexamination can be provoked based on a patent or printed publication pre-

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viously considered by the Patent Office. Reexaminations were not originally supposed to reconsider references, but now a reexamination may be based upon a reference previously considered. The opinion is *In re Swanson*, Slip Op. 07-1534 (Fed. Cir. September 4, 2008), and it changes the rule announced in *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997). The case reacts to legislation passed by Congress in 2002. According to *Swanson*, “the PTO should evaluate the context in which the reference was previously considered and the scope of the prior consideration and determine whether the reference is now being considered for a substantially different purpose.” This is like a football game where the rules change, not during the off-season, but during a team’s drive down the field in the fourth quarter of a nip-and-tuck game. In fact, that seems to characterize a lot of the proposed reforms, as well as rule changes the Patent Office has attempted to enforce.

There are other proposed changes, too. Despite the substantial and well-developed body of law about determining a reasonable royalty, this bill codifies the process. Instead of building on a body of law that has been progressing for forty years, district court judges will now have to interpret and

apply a brand new statute. The bill rewrites § 102, as well, throwing overboard all the decisions interpreting that section since its passage in 1952. It also changes venue requirements. Patent law is complicated. Changing it introduces more complexity and reduces the clarity of the law to those for whom it is intended: inventors and businesses, not lawyers and judges.

So this bill would give us more inequitable conduct allegations regardless of the merit in those allegations, a change in the burden of proof for inequitable conduct, orders for reissue proceedings on perfectly good patents, disciplinary proceedings provoked on a probable cause basis, *ad terrorem* penalties, duplicative reexaminations, bifurcated trials as a matter of course, two kinds of post-grant proceedings, no solution to the method claim infringement problem, no invention registration system, and multiple additional ways to stay, prolong, and delay litigation. What a bargain for infringers.

In his trial advocacy seminars, Irving Younger used to say that finality is a great theme of the common law. With both of these patent reform bills, there’s no such thing as finality — only delay, expense, and complexity.