

STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY
COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES
CONGRESS OF THE UNITED STATES

ON

H.R. _____, "THE PATENT ACT OF 2005"

JUNE 9, 2005

Chairman Smith, Ranking Member Berman, and Members of the Subcommittee:

I am Executive Director of the Public Patent Foundation ("PUBPAT"), a not-for-profit legal services organization founded in 2003 to represent the public's interests in the patent system, most particularly the public's interests against the harms caused by wrongly issued patents and unsound patent policy.¹ PUBPAT provides the general public and specific persons or entities otherwise deprived of access to the system governing patents with representation, advocacy and education. PUBPAT is funded by grants from the Rockefeller Foundation, the Echoing Green Foundation, the Rudolph Steiner Foundation and the Open Society Institute and accomplishes its mission through four core activities: protecting the public domain from being recaptured in new patents, primarily by requesting the U.S. Patent & Trademark Office ("PTO") reexamine patents determined to have been wrongly issued; providing economically disadvantaged persons against whom patents have been asserted with pro bono representation; advocating for improvements to the patent system and educating the public about how patents impact everyday life; and, establishing patent commons by which patented technology is made available on publicly favorable terms.

PATENT POLICY SHOULD BE FORMED WITH ALL AFFECTED INTERESTS PRESENT

Before commenting on the proposed Patent Act of 2005, a very important point about the process by which patent policy is formed must be made. Despite what most people believe, the patent system has extremely far reaching effects on all Americans. Specifically, wrongly issued patents and unsound patent policy harm the public by making products and services more expensive, if not completely unavailable, by preventing scientists from advancing technology, by unfairly prejudicing small businesses, and by restraining civil liberties and individual freedoms. Although the public can indeed benefit from a properly functioning patent system, since patents are government sanctioned restraints on freedom and competition, the public can also be severely harmed by errors within the patent system. For that reason, patent policy should be crafted with full knowledge of all of the effects, both positive and negative, the patent system is having on all people.

Unfortunately, however, it is too often the case that not all of the interests affected by the patent system are adequately represented in patent policy discussions. Specifically, the interests of the

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non-patent holding public are almost always absent from any meaningful participation in decision making about the patent system, despite the fact that they bear the brunt of its burdens. The lack of representation of the public's interests is due in part to the fact that the patent community culture tends to dismiss the opinions of those it sees as outsiders, but it is mostly a result of the public not yet realizing how the patent system affects them.

Regardless, patent policy should be made with consideration of all of the public's interests, not just the specific interests of the PTO, patent holders, patent practitioners, and large commercial actors.² As such, I am pleased to have been invited to represent those otherwise unrepresented interests in this statement and I strongly urge you to continue to ensure that all affected interests are always adequately represented in patent policy discussions in the future.

THE PROPOSED PATENT ACT OF 2005 ADDRESSES MANY IMPORTANT ISSUES

There are several ways to strengthen the patent system so that it benefits all Americans, and the draft Patent Act of 2005 addresses many of them. First, inventions should be made available to the public as quickly as possible, regardless of whether the patentee does so herself or not. Second, continuation applications, which allow patent applicants to get an unlimited number of bites at an unlimited number of apples, should be eliminated, because they provide no legitimate basis for advancing technology. Third, a post-grant opposition procedure could be a valuable and efficient tool to perform quality assurance on issued patents so long as the public is enabled to bring an opposition proceeding for a patent whenever they are threatened by it.

Make Inventions Available to the Public as Quickly as Possible

The patent system's ultimate purpose is to advance technology, not line the pockets of patent holders. Although these ends are typically aligned, there does come a point at which over rewarding patent holders can in fact retard technological development. This is why the patent right is limited, such as by a finite term. Similarly, if a patent holder is not itself making its invention available to the public, courts should take great pause before issuing an injunction against another party that desires to do so.

Opponents of the proposition that inventions should be brought to the public as quickly as possible are guilty of either over interpreting the original Committee Print's language to mean that no injunction shall ever issue or basing arguments on a need to create greater incentives for invention, but that is not an end to be achieved at the sacrifice of more important goal of the patent system, bringing to the public technological advances as quickly as possible. Further, as

² Jonathan Krim, *Evaluating a Patent System Gone Awry*, Washington Post, May 5, 2005, E01 (stating that the current patent reform legislative process has been "effectively hijacked by large companies and powerful patent-lawyer groups").

Thomas Jefferson correctly stated, patents are “not [a] natural right, but [are] for the benefit of society.”³ Our patent system is an economic tool to coordinate technological development that is designed to ensure inventive effort is *adequately* rewarded and quickly adopted to benefit the American people. Thus, when a patentee does not deliver her invention to the public, she should not be allowed to stand in the way of others willing to do so if they can compensate her fairly for the advance she identified. Allowing her to deny the American people a significant advance incorrectly places her private right above the needs of the public.

For example, a patent holder with a valid patent on the cure for AIDS who does not make that technology available to the public should not be allowed to prevent others from doing so. While it is true that there are a small number of cases where a permanent injunction was not issued because of public health concerns, such as would likely be involved with the hypothetical, we should not wait and rely on courts to do the right thing in the most dire cases. The public concern triggered by not having such issues resolved before they arise was highlighted during the Anthrax attacks with respect to the patent on Cipro, where it was uncertain whether the patent owner would have been able to successfully prevent the American people from defending themselves with the best technology available.⁴

Further, the principle of not withholding technological advances from the public applies to all technologies, even if the immediate impact of denying the public access to the advance is not as significant as with public health technologies. For example, but a few years ago, this House was concerned with a patent that could be used to enjoin an electronic communications device of importance to Representatives.⁵ Anytime a technological advance is kept from the American people, the public suffers unnecessary and unjustified harm.

Under the proposal as previously drafted, patentees would be guaranteed adequate compensation by the court. Thus, the only complaint they can be heard to make is that they would not get more than they deserve. But, over rewarding patentees would result in corresponding harm to the American public and, as such, is not sound public policy.

Eliminate or Curtail Continuation Applications

Continuation applications provide applicants who have had their patent applications finally rejected the ability to force the PTO to revoke the finality of the rejection simply by paying a fee for a new filing. Thus, it is impossible for the PTO to ever actually finally reject a patent application so long as the applicant has sufficient financial resources to keep paying for

3 Thomas Jefferson, Letter to Isaac McPherson, August 13, 1813 (“... the exclusive right to invention as given not of natural right, but for the benefit of society.”)

4 Shankar Vedantam & Terence Chea, *Drug Firm Plays Defense in Anthrax Scare*, Washington Post, October 20, 2001, A04.

5 Jonathan Krim, *House Makes a Plea To Keep BlackBerrys*, Washington Post, January 17, 2003, E01.

continuation applications.⁶ The justifications given for continuation applications are without technological merit, as any claims desired by a patent applicant can and should be included in the original application or an amendment to the original application.

Applicants abuse the continuation application process in many ways. Some monitor commercial actors who attempt to design around a previously issued patent and file claims in a continuation application that are directed specifically at the design-around efforts. These applicants lie in wait until the commercial actor launches or otherwise commits to their design-around product and they then quickly get the PTO to issue the continuation patent, which has a greater likelihood of ensnaring the commercial actor because its claims were written with the design-around product specifically in mind. Such perverse manipulation of the patent system should not be allowed to occur. Simply forbidding broader claims in continuation applications, as was proposed in the original Committee Print, would not address these abuses because many of them occur through the use of narrower claims, which have the benefit of being less susceptible to a validity attack. As such, continuation applications, and the opportunity for gamesmanship they provide, should be eliminated in their entirety.

Implement a Strong Post-Grant Opposition Procedure

The idea of a strong post-grant opposition procedure is a good one. In most respects, such a procedure would serve the public interests by helping to ensure that wrongly issued patents are proven invalid as quickly and as efficiently as possible after their issuance. Of course, it should be the goal of the patent system to improve the patent issuance process so that no undeserving patent is ever issued. However, until such improvements are made, implementing effective mechanisms for nullifying wrongly issued patents will provide significant benefit, so long as such mechanisms are not seen as being satisfactory solutions to the problem of patent quality. Even with an effective post-grant opposition procedure, the amount of public harm caused by wrongly issued patents will still be significant.

In order to be a valuable and efficient tool to perform quality assurance on issued patents, the public must be enabled to bring post-grant oppositions at any time they are threatened by a patent. Although the mere existence of a patent poses a grave threat to the public, at minimum, whenever a patent is affirmatively asserted by its owner it should be eligible for an effective review of its quality through an opposition proceeding.

Some characteristics of a post-grant opposition proceeding that have been proposed may cause it to have a detrimental effect on the public's interests. First, any time limit on when oppositions could be filed, especially one as short as a year, would vitiate a substantial amount of the post-grant opposition procedure's ability to route out wrongly issued patents. This is because many

⁶ Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B. U. L. Rev. 63 (2004).

patents do not begin to cause significant public harm until years after their issuance. For instance, pharmaceutical patents often issue years before any product covered by the patent is brought to market due to the need to perform clinical trials to prove that the product is safe and effective. In information technology industries, many technologies covered by patents do not become marketable for several years after their issuance because they require some complimentary hardware or service that is not yet available or affordable. Further, many patents are sold to new owners during their term who are often much more aggressive in asserting the patent against the public.

Thus, it is not always possible to determine within a year of a patent's issuance whether or not it would be one worth opposing. Forcing the public to make such decisions too soon by implementing a narrow window during which opposition proceedings could be initiated would lead to substantial waste resulting from inefficient decisions. It would also cripple the post-grant opposition procedure's ability to protect the public from the harm caused by wrongly issued patents. Further, if there was only a limited window during which opposition proceedings could be initiated, some patentees may choose to game the system by not asserting their patents until after the window for opposition had closed.

Some patent holder representatives claim that maintaining post-grant opposition eligibility for the entire term of an issued patent would be undesirable. Of course, patents can be reexamined at any time during their term, the filing of an opposition proceeding would not impact the patent holder's ability to assert the patent or receive compensation for infringement, and potential opponents will be strongly dissuaded from bringing merit less oppositions due to the resulting estoppel effects. However, if compromise is sought on this point, perhaps patent owners can be given the opportunity to prevent the filing of any opposition against their patent during any period of time that they attest they will not assert it against any member of the public. That way, if the patent owner wants so-called "quiet title", they can provide it themselves. However, if a patentee wishes to assert her patent against members of the public, it is indefensible that the patent not also be eligible for an efficient and quick check of its validity.

Another possible compromise is to provide a second window of eligibility for filing an opposition triggered by any assertion of the patent by the patent owner. A second window of eligibility upon assertion is fair because the public should be free to avail itself of a proceeding to efficiently check the validity of a patent that is being aggressively brandished by its owner.

Lastly, it is of course requisite that eligibility to file opposition proceedings be open to the entire public, just as with reexamination proceedings, because a wrongly issued patent harms the entire public, regardless of whether it is only being directly asserted against one specific party. This is especially true if the parties against whom a patent is being directly asserted either cannot afford to represent themselves in an opposition proceeding or do not dare do so for fear of retribution by

the patentee.

OTHER ISSUES THE PATENT ACT OF 2005 COULD ADDRESS

In addition to those issues already addressed by the proposed Patent Act of 2005, there are other aspects of the patent system that deserve attention as well. First, the Federal Circuit's misapplication of some critical aspects of patent law should be corrected. Second, the improper financial incentives placed on the PTO that create a bias towards issuing patents should be removed. Third, although they serve a critical public policy goal, patents should not be allowed to restrict the exercise of Constitutional rights or the performance of technological research. Fourth, a patent's validity should always be checked against the broadest reasonable interpretation of its claims, because that is the interpretation the public must abide by until the patent is reviewed by a court.

Correct Federal Circuit's Misapplication of Patent Law

One of the largest factors negatively impacting the patent system today is the Federal Circuit's erosion of obviousness as a bar to patentability. The CAFC has virtually eliminated obviousness as a second requirement of patentability above and beyond novelty by requiring an express "teaching, suggestion, or motivation to combine" in the prior art to support an obviousness finding.⁷ By doing so, the Court is ignoring the knowledge of one having ordinary skill in the art, despite the fact that it is required by statute to consider such knowledge as part of the obviousness inquiry.⁸ Not only has the court created this additional requirement to prove a patent is obvious out of whole judicial cloth, it has also usurped the statutory language with so-called "secondary considerations" as the primary focus in the analysis of obviousness. I urge you to consider adding language to the proposed Patent Act of 2005 to guide the Federal Circuit back towards a more appropriate understanding of the obviousness standard.

Another area where the Federal Circuit is misapplying patent law relates to the presumption of validity accorded to issued patents. The Federal Circuit has placed a much higher burden of proof on defendants than is called for in the statute, which merely places the burden of proving a patent invalid on the party making the validity challenge.⁹ The Federal Circuit has taken that language and severely heightened it to mean that parties challenging the validity of a patent must do so with "clear and convincing" evidence. This is a much higher standard than the statutory burden, which only requires a party challenging the validity of a patent come forth with a "preponderance of evidence" proving invalidity. Not only is a preponderance of evidence

7 35 U.S.C. § 103 (2005); *Teleflex Inc. v. KSR International Inc.*, unpublished (2005) (available at <http://fedcir.gov/opinions/04-1152.pdf>).

8 35 U.S.C. § 103 (2005); *Brief of Twenty-Four Intellectual Property Law Professors as Amici Curiae in Support of Petitioner*, *KSR International CO. v. Teleflex INC., et al.*, U.S. No. 04-1350.

9 35 U.S.C. § 282 (2005).

standard for patent invalidity statutorily correct, it also comports with the standard used by the PTO in reviewing patent applications and patents under reexamination.

On a related note, it is especially nonsensical to apply a higher burden for proving a patent invalid in litigation in light of prior art that was not reviewed by the PTO during the application process. There is absolutely no justification for applying a super-presumption of validity in the face of new art against which a patent has never been reviewed.

Remove Improper Incentives on PTO to Grant Patents

Funding of the PTO is an ever present issue that affects all aspects of patent quality. As such, perhaps the presentation of a contrary viewpoint about whether the PTO is adequately funded is worthwhile, especially since the impression is given that without more funding of the PTO, patent quality will continue to degrade.

The failings of the PTO can be largely attributed to the improper incentives placed on it and its employees to issue patents. Specifically, financial incentives encourage the issuance of patents, including those of questionable validity.¹⁰ At the agency level, the PTO derives its income from fees, largely application and maintenance fees. These fees increase in direct proportion to the number of patent applications received and the number of patents issued. The more patents issued by the PTO, the more fees it receives, both directly through maintenance fees, and indirectly through the encouragement of more patent applications, each with an application fee. As such, the PTO as an agency is biased towards issuing, rather than rejecting, patents.

In fact, the PTO today ultimately issues patents from 85% of all applications.¹¹ Although many of these issued patents are deserving, as discussed above many of them are not. The PTO's high rate of issuing patents is directly responsible for its receiving unmanageable numbers of applications. However, that burden is not properly dealt with by increasing the PTO's funding so that it can issue more patents and thus encourage the filing of even more applications. Rather, the burden on the PTO is properly dealt with by removing the improper incentives on it to issue patents. Under the current system, if the PTO were to reject undeserving patent applications such that the number of issued patents decreased, it would suffer financially.

Financial incentives placed on the PTO to issue patents do not stop at the agency level. Rather, they trickle down all the way to individual employees. Through a quota system, patent examiners are given more credit, and evaluated more favorably, if they issue, rather than reject

10 Zachary Roth, *The Monopoly Factory*, Washington Monthly, June 2005 ("The patent office, operating under [] institutional incentives to push more patents out the door, has set up a system that encourages individual examiners to green-light more of the applications that cross their desks").

11 Cecil D. Quillen, Ogden D. Webster, and Richard Eichman, *Continuing Patent Applications and Performance at the U. S. Patent and Trademark Office-Extended*, 12 Fed. Cir. B. J. 35 (2002).

patents. An examiner who desires to reject an application faces a limitless amount of work, as each time she makes a final rejection of the application the applicant can force her to revoke the rejection by simply filing a continuation application. Much of this additional work receives little if any credit under the quota system. However, if the patent examiner instead chooses to issue an undeserving patent application rather than standing by her rejection, she will receive the same credit, if not more. She will also save herself hours of work that she can use to earn credit by working on other applications.

These incentives are perverse. The PTO and its employees should be rewarded, not penalized, for improving patent quality. There should be absolutely no bias to either issue or reject a patent application. The PTO and the Examiner Corps should be free to make their best scientific and technological judgment about pending patent applications without any financial pressures or incentives.

Protect Civil Liberties and Research

Patent law should not trump Constitutional rights nor be used to impede its own goal of advancing technology. Unlike copyright and trademark law, under current patent law there is no exemption from infringement liability for exercising Constitutional rights. Although perhaps previously not as relevant to the exercise of individual freedoms as those other forms of intellectual property, patent law today impacts many, if not most, of our most sacred rights, including speech, privacy, religious expression, assembly, and voting.¹² This is partly because patent eligibility has been expanded by the Courts and partly because everyday life is becoming increasingly dependent upon technology. As such, there should be a statutory exemption from patent infringement for the exercise of Constitutional rights. Further, since the mission of the patent system is to advance technology, it seems improvident to subject to infringement liability technological research. As such, there should also be an exemption from patent infringement for research.

Check Patent Validity Against Broadest Reasonable Scope of the Claims

The process of discerning the precise scope of a patent's claims is known as claim construction. There needs to be a process because patent claims almost always contain words of arguable or ambiguous meaning. Roughly ten years ago, the courts chose to define claim construction as a matter of law to be resolved by a trial judge and reviewed *de novo* on appeal.¹³ Unfortunately, the *Markman* process has resulted in less predictability and certainty regarding a patent's scope because, until a *Markman* hearing takes place, no one knows what a patent does or does not cover.

¹² John R. Thomas, *Liberty and Property in the Patent Law*, 39 Hous. L. Rev. 569 (2002).

¹³ *Markman v. Westview Instruments, Inc.*, 53 F.3d 967 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996).

Many patentees exploit this uncertainty by alleging their claims are extremely broad only to later argue their patent claims are narrow when faced with a strong invalidity challenge. Since it is possible for a court to interpret a patent's claims broadly, the public is forced to abstain from practicing anything that could conceivably be considered covered by an unconstrued patent's claims. If a court later interprets the claims more narrowly, than the public needlessly avoided practicing technology that is not within the court's construction but that was within the broadest reasonable construction of the claims.

To avoid this wasteful chilling of permissible activity, the PTO uses the broadest reasonable interpretation possible when examining the validity of patent claims. This is the same standard courts should use when construing a patent for invalidity because the extent to which the public is chilled by a patent is, until its claims are construed by a court, the broadest reasonable construction of the claims possible. Thus, when a patent's validity is challenged, that is the same breadth against which it should be made to withstand.

CONCLUSION

Thank you, Mr. Chairman, Ranking Member Berman, and Members of the Subcommittee, once again for inviting me to make these remarks about our current patent system and the proposed Patent Act of 2005. I look forward to continuing to assist your efforts to ensure the patent system achieves its Constitutional purpose of advancing technology.

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