

Patent Oppositions: The Devil Is In The Details

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Introduction – Criticisms of PTO Performance

- Invalid and overbroad patent rights granted
 - Granting patently invalid patents
 - Different claims within the same patent
 - some valid, some invalid
- PTO cannot appreciate the import of the prior art, including cited prior art
 - Entire time spent in examination at PTO is what one associate spends in the first week of a litigation
 - New and emerging technologies
 - Expanding universe of eligible subject matter
- In short, patent system is stressed

Patent System As a Two-Stage Bargain

- Patent Prosecution (\$10-50K):
 - Examination of patent claims
 - Review of published prior art
 - Cannot check public use/on sale
 - Limited review of adequacy of disclosure
 - Third-party re-examination widely deemed to be ineffective
- Patent Litigation (\$1.0-5.0M):
 - Rely on the courts to fix errors created by the PTO
 - Additionally, check for best mode, enablement, inequitable conduct, equitable defenses

Introduction – Quality of Issued Patents Matters

- The legal system defers to examination process and sets up default rules
- Social costs of improvidently granted patents:
 - Costs associated with supra-competitive pricing
 - Wasteful designing-around activities
 - Disincentive to engage in downstream innovation
 - Encourages opportunistic activities: improve competitiveness by excluding others; delaying competitor's activities; and licensing
 - Encourages rent-seekers, such as financiers; misallocation of resources taking it away from genuine entrepreneurs
 - Prosecution and litigation costs from bad patents

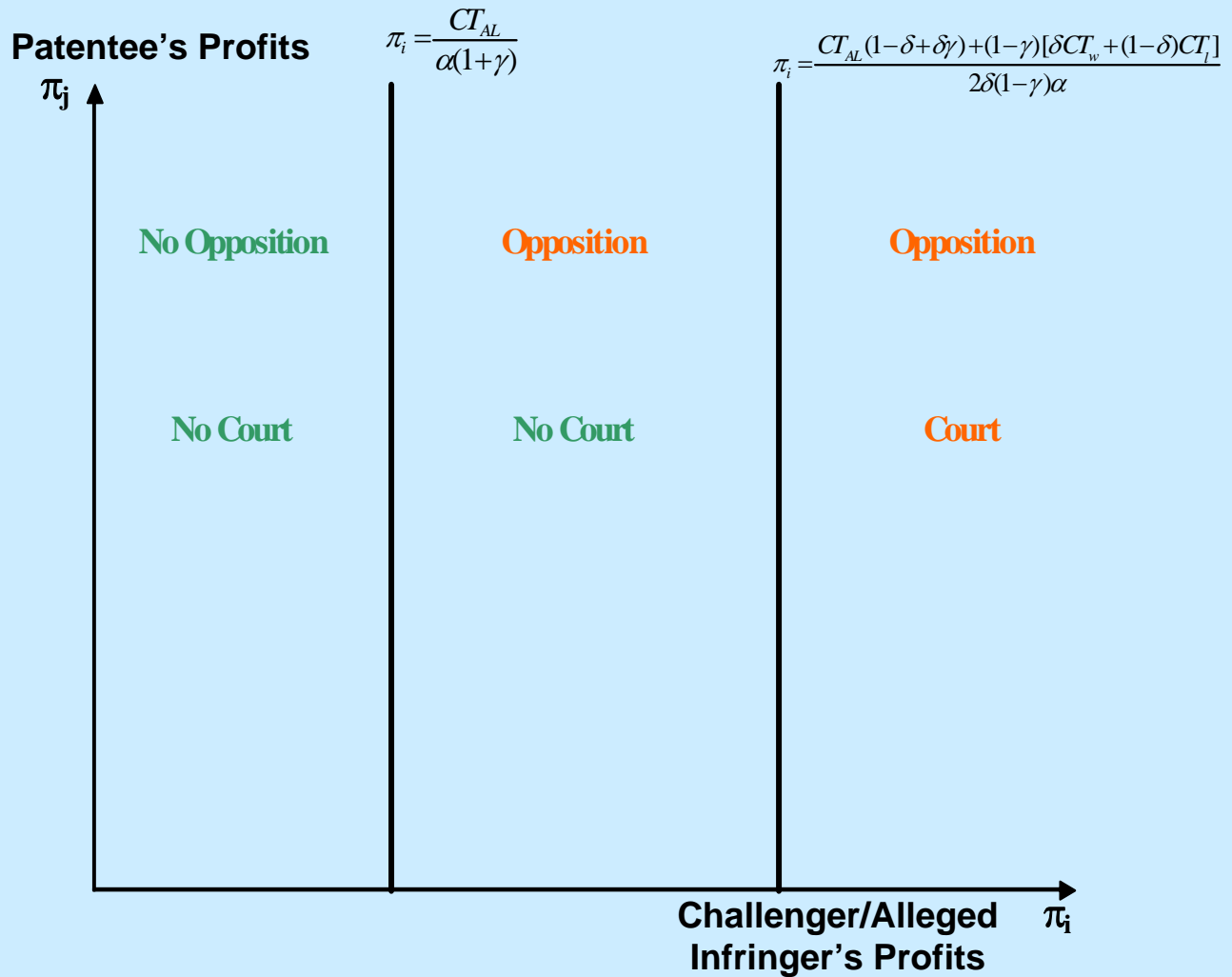
Introduction – Nature of Relevant Knowledge 1

- All specialized knowledge is local – even within the same field
- Well-recognized concept
 - Information economics – Wurman’s model of information – concentric circles
 - Information science and knowledge management – diffusion of information through “invisible colleges”

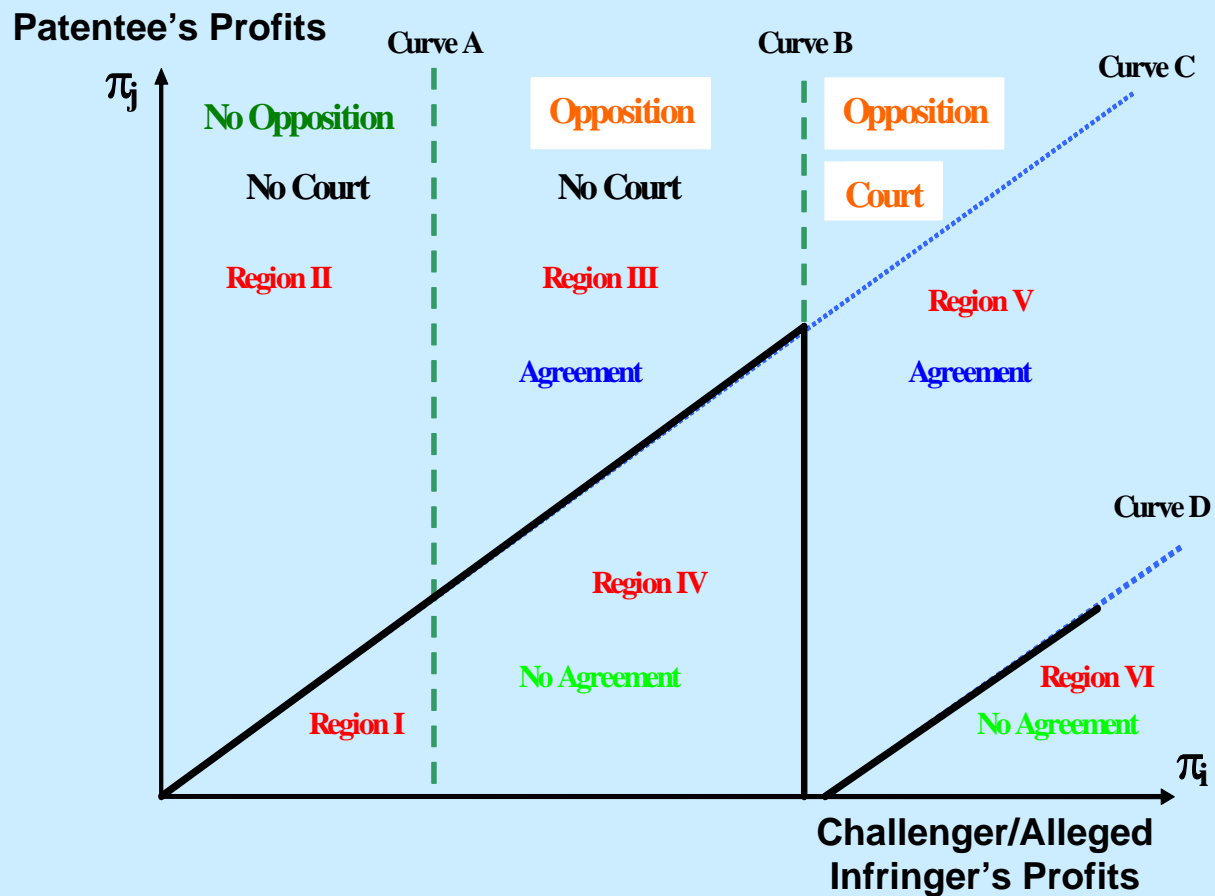
Introduction – Nature of Knowledge 2

- In short, the PTO is not likely to ever be well-informed about the relevant prior art for patentability.
- As a practical matter, not just an issue of giving the PTO more resources.
- Need to rely on *third parties* in the know – the patentee and her competitors

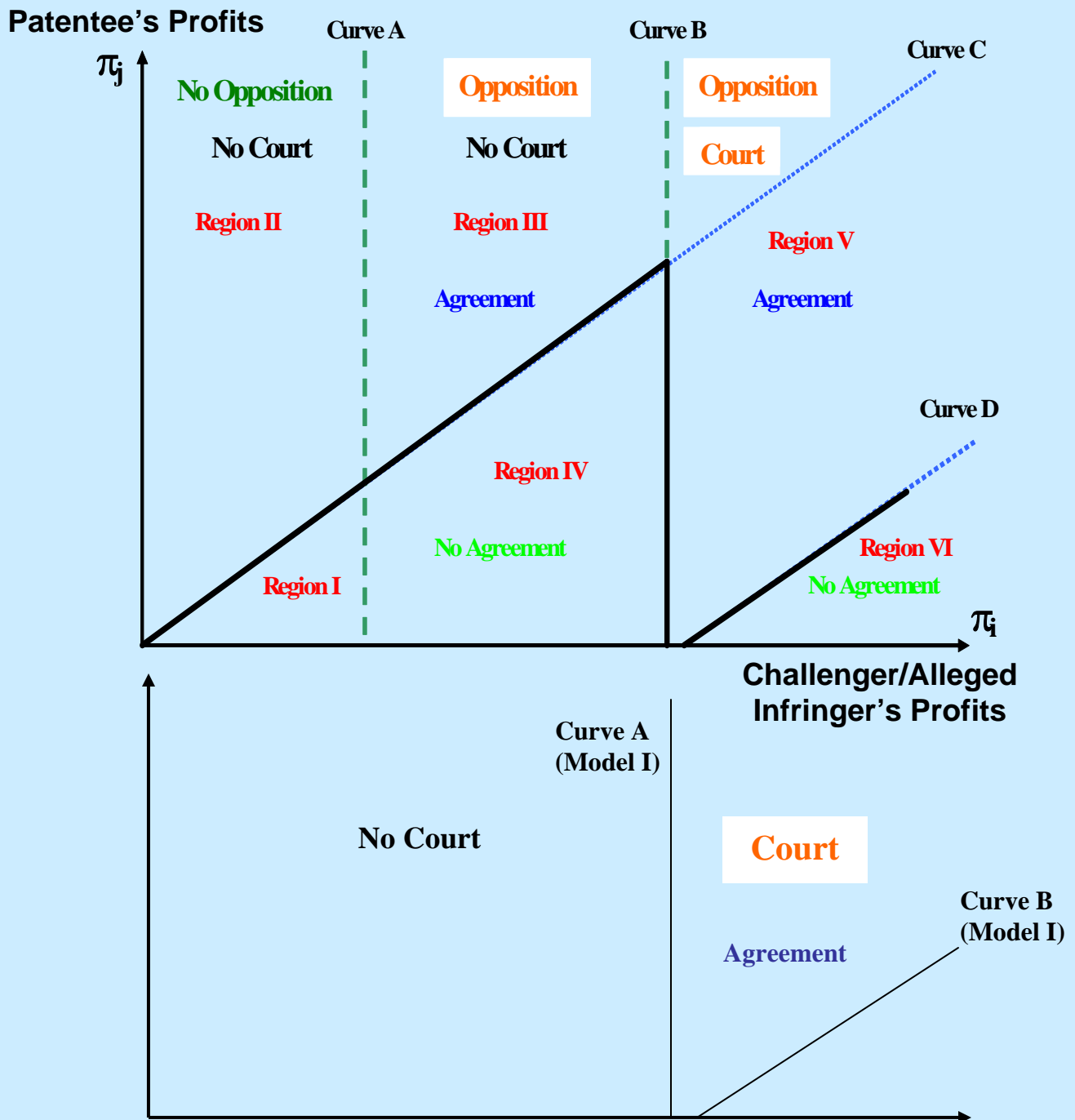
Introduction of Patent Oppositions



Creating Both Oppositions and Litigations



Comparing Systems With And Without Oppositions



Characteristics of the Opposition Process

- Must be a *low cost* process to increase the universe of challenged patents—opposite of what we are currently hearing from Congress
- Need to design the process to reduce cognitive dissonance at the PTO
 - Pre-grant vs. Post-grant
 - AOJs
- Limited estoppel effect to disincentivize delay and harassment through repeat filings

Recent Dual Invalidation System in Japan: JPO and District Court Invalidations

JPO	District Court
Anyone can file, at anytime	Infringement or Declaratory Judgment action
JPO seen to be good at dealing with published prior art	All grounds available
Patentability standards	Theoretically higher, but practically not
Cost relatively low (\$3,500 per claim)	Significantly higher (~\$400,000)
About one year	15-16 months

JPO vs. District Court Invalidations in Japan

JPO	District Court
Can uncover evidence through independent search	Evidence presented by parties
Effective against public at large and can narrow claims	Effective against the parties and cannot present new, narrower claims
3 or 5 Trial Examiner Panels	District Court Judge with Technical Assistant
Can appeal to High Court	Can Appeal to High Court
Can repeatedly file Trials for Invalidation	Cannot file lawsuits repeatedly

Sorting Through the Two Invalidation Options

31%	Infringement action in District Court
33%	Invalidation Trial in JPO <u>and</u> “Invalidity” Claim in District Court
29%	Invalidation Trial in JPO <u>only</u>
7%	“Invalidity” Claim in District Court <u>only</u>

270 cases from April 2000 to Nov. 2003

Comparisons of Invalidity Decisions on Same Patents by Both Institutions

District Court

		Valid	Invalid
J P O	Valid	18	5
	Invalid	9	39

71 cases from April 2000 to Nov. 2003

Summary 1

- Current system permits improvidently granted patents to survive in the marketplace
- Patents not challenged in court impose significant social costs
- Improve patent quality by designing an inter-partes opposition system
- Increase the likelihood of patent challenges by knowledgeable parties

Summary 2

- Characteristics of Oppositions:
 - Low cost system;
 - Reduce cognitive dissonance;
 - Limited estoppel effect
- The Japanese dual invalidation system in the past 3 years shows us that oppositions and court litigation are complementary
- Creating options for patent challenges incentives for the patentee and for third parties to reveal information

