CROSSING THE FINISH LINE ON PATENT REFORM: WHAT CAN AND SHOULD BE DONE

HEARING

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harmful—or could in fact be harmful. I think I heard Mr. Horton say that there is no need for legislation on damages. I assume those two things are saying essentially the same thing. Where are you on that, Mr. Simon?

Mr. SIMON. I am in agreement with them.

Mr. WATT. Okay. You are speaking for a bunch of people here. They are in the audience. I didn't see any frowns on many faces back there.

All right. This process has been going on for quite a while, and the two parties here at the table have been involved in it. What do you see, Mr. Simon and Mr. Horton, as the major—just tell me two major issues that divide you. Don't elaborate on them yet. I will give you a chance to come back and do that. But just tell me what the issues are first. Mr. Simon, you give me one. Then Mr. Horton give me one, and then Mr. Simon give me one, and Mr. Horton give me one. I am giving everybody equal chance here. Go ahead.

Mr. SIMON. One of the issues that still divides us is what limitations, if any, are placed around inter partes re-examination and post-grant oppositions.

Mr. WATT. Okay. Mr. Horton.

Mr. HORTON. Prior to today, I would have said venue would have divided it—damages——

Mr. WATT. Hey, don't go there. We got that one cleared up.

Mr. HORTON. Honestly, I would have to say number one is how we optimize the post-grant review proceedings for both parties. I can't think of any other—the judicial ones have always been the real thorny, complex problems we have been dealing with.

Mr. WATT. So we are close here. There is not a second one then. Have you got a second one to identify, Mr. Simon.

Mr. SIMON. Well, I am not sure it is appropriate to identify it as an issue that separates Mr. Horton and I, but another issue that we are concerned about is prior user rights. I don't think Mr. Horton's Coalition is opposed to them, but there are apparently others who may be.

Mr. WATT. Okay. Well, let's talk about the one that got the wlimitations on—tell me what the issue is. Identify it again so I am sure I understand what I am talking about.

Mr. SIMON. This is on inter partes re-examination and post-grant opposition.

Mr. WATT. Okay. Re-exams and post-grant opposition. And describe for me, if you can, what the differences are in the various positions so I am clear on what we are arguing about.

Mr. SIMON. So the differences are when you can use them. So, for example—and I believe Mr. Horton's coalition is supportive of the provision in S. 23—there are limitations of when you can use an inter partes re-exam if you are involved in litigation. So from our company's standpoint—and there are similar ones on post-grant opposition in addition to the time limitation after the patent issues.

So in our industry, frequently the patents come out of the woodwork as complete surprises. We have never heard of them before we got sued, we have never heard of the company before we got sued, and we have no meaningful way of knowing about it. And if

you have—from the time you get the complaint, if you have only a limited time in which to decide whether it is appropriate to use inter partes review or post-grant opposition before the time window closes and to find the art, it is totally inappropriate, in our view.

Mr. WATT. How would you solve that problem?

Mr. SIMON. Well, under the current system on inter partes, for example, there is no time limit currently. You can file an inter partes re-examination——

Mr. WATT. Would you leave it like that?

Mr. SIMON. I think that that is an appropriate way.

Mr. WATT. How do you address Judge Michel's concern that that leaves this open forever and a day and never gets resolved? I don't know how you can do that.

Mr. SIMON. Well, in the current statute, there are actually res judicata provisions about the effect of inter partes re-exam. From our standpoint, we think, with a couple of minor issues, those work.

The whole point is that frequently it is very difficult to argue to a jury why a patent is invalid. We think the Patent Office is the better place to deal with it. And we have had issues where what the interpretation of what the patent means is decided for us literally in the middle of the trial, sometimes even at the end of the trial; and that can have a dramatic effect as to whether the patent claims, in our view, is valid or not.

Mr. WATT. Judge Michel, just give me your perspective on this. My time is up.

Judge MICHEL. What's happening already is that court proceedings that are ongoing are being stalled by things going back to the Patent Office for reexamination under the current system because the threshold to get there is meaningless. Ninety-five percent of the times that meaningless threshold of a so-called "substantial new question" is readily met. Any patent lawyer worth his salt can raise a substantial new question in virtually every case. So there has to be some kind of meaningful threshold for this procedure back in the Patent Office or a pending litigation is subject to severe and unlimited abuse.

So I think the big difference between Mr. Simon and Mr. Horton is Mr. Simon wants the right to be able to be in the Patent Office virtually forever, no matter what's happening in the courthouse, and Mr. Horton wants limits. And since patents can only be enforced in the courthouse and not in the Patent Office, it seems to me that a meaningful threshold for all post-grant procedures is absolutely critical.

Mr. WATT. My time has expired.

I would let you respond to that, Mr. Simon, but I am out of time. If you want to respond—I mean I would be interested in hearing a response.

Mr. SIMON. Thank you.

So, a couple of things. First of all, if you look at the statistics of the inter partes reexams that have actually gone through the system, the judge is correct that 94 and 95 percent of them have been granted. But the other thing is in 90 percent of them, at least one claim—or just about 90 percent of them—at least one claim was changed because of apparently the art that was found.