November 16, 2017

IAM’s Patent Law and Policy 2017 Conference

This week I was invited to attend IAM’s excellent Patent Law and Policy conference. Speakers included Senator Coons and Acting Director Joe Matal, and a host of panelists.

Senator Coons Sounds the Alarm

Senator Coons comments indicated that the U.S. patent system is in big trouble. He noted that the U.S. Chamber ranked the U.S. patent system only 10th in the world, tied with Turkey, and that as a result of a weakened patent system the creation of startups in the U.S. is at a 40 year low. He said that investors want Chinese and European patents because those investors believe that U.S. patents have become completely “unreliable.” He attributed this skepticism to an erosion in reliability that began with the Supreme Court’s decision in eBay, which took away the presumption that a patent owner who proved their patent was valid and infringed was entitled to an injunction. He said this erosion continued as the Supreme Court in Mayo, Myriad and Alice rendered uncertain the eligibility of software and life science inventions so critical to the U.S. economy. He said that Congress is in a better position than the Supreme Court to take a broader view and would do a much better job of considering the equities, for example, that diagnostic methods costs on average $40 million to develop. He said something needs to be done to stop the loss of investment capital which is moving to China and Europe as they recognized that we allowed our patent system to weaken and now take advantage by continuing to strengthen theirs. While he pointed to the need to address the PTAB’s application of BRI, the filing of multiple follow-on IPRs against the same patent, and reversing eBay, all of which he has proposed doing in the STRONGER Act, and even though he complained about the Supreme Court’s recent eligibility cases, Senator Coons did NOT say that he planned to introduce legislation to address Mayo, Myriad and Alice.

Acting Director Joe Matal on the PTAB

Joe Matal focused on PTAB proceedings. He said that the Federal Circuit’s en banc Aqua Products opinion was not going to have that much of an impact on IPRs. He said that, as to amendments, patent owners in litigation only really care about losing past damages and avoiding creating intervening rights, so the amendments that the PTAB has seen over the years were so close to the original claims that they were unhelpful. He also said that he was not surprised that the AIA proceedings have far outnumbered the number of inter partes reexams filed before the AIA. He believes that inter partes reexams were a flawed mechanism because those proceedings could be
delayed if either party wanted to stall. He said that in the new fee package the PTO is going to charge much higher fees for IPRs because the PTO needs to recover the high cost of these proceedings. When asked if the PTO has any plans to restructure offices, such as external affairs, he indicated that the administration does want to see agencies help streamline government.

**PTAB Panel Discussion—and Praise from Google’s Suzanne Michel**

During a panel on the PTAB, Suzanne Michel (Google) argued that PTAB proceedings are still desperately needed to deal with the many bad patents that overworked patent examiners keep issuing. She argued that tech industry patents are done fast and cheap and filed just to extract the cost of litigation. Suzanne said that people who complain about the PTAB invaliding their patents would rather have their patent evaluated by twelve lay people and a generalist district court judge than by knowledgeable PTAB judges. She also expressed concern that the PTAB recently had been issuing bad precedential opinions, like the ones intended to reduce the filing of multiple serial petitions, making it harder for petitioners to attack invalid patents. She applauded the PTAB’s rule changes that make it easier to submit expert testimony to fill in gaps in prior art references, which was really needed to invalidate patent claims. Another panelist argued that he feared that under the Board’s recent decisions his clients would be estopped from filing a petition once the patent owner amended their claims in a pending continuation to overcome his clients’ original petition. A different panelist said that he was very troubled that, according to the PTO’s own statistics, the PTAB invalidates at least one claim in 81% of the proceedings for which there is a final decision.

One panelist blamed the high invalidation rate at the PTAB on Google and all of its spending on lobbying. He claimed that they worked very hard to get their person selected to be the PTO Director (Michelle Lee), in order to influence the PTAB and how it treats patents. Another argued that tech used the false narrative of a fictional patent troll problem to help destroy the patent system. One panelist argued that because of Mayo, Myriad and Alice the patent system is failing where the greatest innovations in the world are taking place, including software, AI, cloud computing, medical diagnostic, pharmaceutical and biologics, because there is no clarity on protecting these inventions in the U.S. He said that the China, Japan, Korea and Russia all see this weakening of our patent system as an opportunity to catch up and even bypass the U.S. in the development of new technologies.

**Henry Hadad at Bristol Myers Squibb on a Weakening US Patent System**

Hadad drew an analogy to the effects on investment caused by the weakening of the patent system, arguing that companies would not invest in building a factory if there was a 70% chance that years later someone could come along and successfully challenge their ownership of that property. He
argued that to fix some of the problems with our patent system Congress must pass legislation (to avoid a change in the administration upsetting PTAB rules) that would require the PTAB i) use *Phillips* claim construction, ii) stop serial flings, iii) change the burden of proof to clear and convincing evidence, and iv) lower the rate at which the PTAB invalidates claims. He explained that with respect to pharmaceuticals the PTAB was upsetting the balance struck by Congress in Hatch-Waxman between incentivizing the development of new drugs and the benefit to generics and the public, by disrupting expectations that the first generic would have 180 days of exclusivity over later generic manufactures. He argued that pharmaceuticals should not be subject to IPRs. This, and the courts misapplication of 101, he said now harms investment in the development of new drugs, diagnostic tests, and the therapies that depend on diagnostic testing to determine specifically tailored treatments.

**A Change of Venue**

On the subject of venue, one panelist was relieved that *TC Heartland* was pushing patent cases to Delaware, California and Illinois, he said into blue states where the juries were better educated, and out of red states... Another panelist noted that the post-*TC Heartland* increase in filings in the Northern District of California was lower than expected; half of the cases expected to be filed there were actually filed in the Central District of California. He said that because the Central District has burdensome filing requirements, similar to those of the ITC, the expense of litigation there would encourage settlement and is therefore attractive to patent owners.

---

Thomas L. Stoll  
Legislative Consultant, IP Law  
Governmental Affairs Office  
American Bar Association  
703-727-4671  
thomas.stoll@americanbar.org