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Intellectual Property Law

April 10, 2012

***Via Electronic Mail***

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The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
Mail Stop Comments - Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Re: Comments on Changes to Implement Miscellaneous Post Patent Provisions of the Leahy-Smith America Invents Act, 77 Fed. Reg. 442 (Jan. 5, 2012)

Dear Under Secretary Kappos:

Coats & Bennett, PLLC submits the following comments on the *Changes to Implement Miscellaneous Post Patent Provisions of the Leahy-Smith America Invents Act*, 77 Fed. Reg. 442, published in the Federal Register on January 5, 2012 (PTO-P-2011-0072).

One of the biggest problems with the current patent system is the high cost of patent litigation. The enforcement of a patent in court, or the defense of a patent infringement claim, may cost as much as \$2 million or \$3 million through trial, and may exceed \$10 million in complex cases. Patent trolls and corporate bullies tactically exploit this high cost of litigation to demand settlements that are unwarranted by the merits of their asserted claims. The significant litigation expense required to prove the asserted claims lack merit corners defendants into settlement and perpetuates defective patents.

Sensitive to high litigation costs and the abusive assertion of meritless claims, Congress recently overhauled procedures before the Patent Office intended to provide less expensive alternatives to litigation for addressing likely invalid patent claims. Congress termed these review procedures "Post-Grant Review" and "Inter Parties Review." By petitioning for the institution of these procedures at an early stage in patent litigation, a defendant-petitioner could theoretically avoid significant litigation expense by resolving validity challenges at the Patent Office rather than in court.

Congress authorized the Patent Office to make rules regarding certain aspects of these review proceedings. The Patent Office recently proposed rules, for example, governing when a patent owner's motion to amend his or her patent should be denied. 37 C.F.R. 42.121 (Inter Partes Review) and 37 C.F.R. 42.221 (Post-Grant Review). Under these proposed rules, the

Patent Office will deny an owner's motion to amend only when (1) the amendment does not actually respond to the petitioner's validity challenges; or (2) the amendment seeks to broaden the patent or to introduce new subject matter.

The proposed rules, however, fail to implement the review proceedings as a true alternative to litigation for a defendant, as envisioned by Congress. An asserted patent must stand "as-is" in litigation, meaning that the court must strike down invalid patent claims rather than amending the claims to make them valid. The Patent Office's proposed rules fail to enforce that same binding treatment on an asserted patent. The rules allow a patent owner that has already instituted litigation against the defendant an opportunity to retroactively fix patent validity problems, even though the patent owner would not have had that same opportunity in litigation.

The review proceedings therefore effectively serve as an unintended healing ground for an invalid patent that has already been asserted, rather than as a true alternative to defend against that invalid patent. The defendant is left with a compelling incentive to incur the high litigation costs required to invalidate the asserted patent, or to simply settle in order to avoid those costs.

The Patent Office should use its regulatory power to prohibit a patent owner from amending patent claims that are currently being asserted against a defendant-petitioner. In particular, the Patent Office should add a new subpart (c)(3) to rules 42.121 and 42.221 as follows:

(c)(3) The patent is subject to pending litigation.

Prohibiting amendments to a patent subject to litigation would not be unfair to the patent owner. Because an asserted patent must stand "as is" in litigation, mirroring this same binding treatment at the Patent Office does not take anything away from the patent owner. Moreover, the patent owner can still initiate reissue proceedings before asserting his or her patent in order to correct any defects in the issued claims. The proposed rule additions thus simply encourage thoughtful pre-filing review by a patent owner, and avoid rewarding a patent owner that proceeds directly to litigation with a defective patent.

At the same time, the proposed rule additions would advantageously make Post-Grant Review and Inter Partes Review a true alternative to litigation for a defendant. Indeed, prohibiting a patent owner from retroactively fixing validity problems will motivate a defendant to institute Post-Grant Review or Inter Partes Review in order to invalidate asserted claims rather than reluctantly settling in the face of high litigation costs. Post-Grant Review and Inter Partes Review would therefore serve to not only subdue abusive litigation, but also serve to increase patent quality.

Coats & Bennett appreciates the opportunity to comment on the proposed rules and commends the Office's solicitation of public opinion in that regard. If the Office has any questions on these comments or desires further explanation of the comments, please do not hesitate to contact us.

Sincerely,



David E. Bennett  
Anthony J. Biller  
Justin J. Leonard