



Intellectual  
Property  
Owners  
Association

Statement of

**J.JEFFREY HAWLEY**

**PRESIDENT**

**INTELLECTUAL PROPERTY OWNERS ASSOCIATION**

Before the

**SENATE JUDICIARY SUBCOMMITTEE ON  
INTELLECTUAL PROPERTY**

on

**“PATENT LAW REFORM: PATENT INJUNCTIONS AND DAMAGES”**

Tuesday, June 14, 2005  
2:30 p.m.

# Intellectual Property Owners Association (IPO)

Mr. Chairman and Members of the Subcommittee:

My name is J. Jeffrey Hawley. I am Legal Division Vice President and Director, Patent Legal Staff, for Eastman Kodak Co. in Rochester, New York. I am speaking today on behalf of Intellectual Property Owners Association (IPO), of which I am the current elected President.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. Our members include a broad spectrum of more than 100 large and medium-size corporate members and a number of small business and individual inventor members. IPO members file about 30 percent of the patent applications that are filed in the United States Patent and Trademark Office (PTO) by U.S. nationals. In addition to our legislative interests, we comment frequently on PTO rules changes and file amicus briefs in cases of interest to us and are active in international patent activities. We have more than 900 people volunteering in 32 standing committees studying trends in IP law.

We appreciate the opportunity to discuss current proposals for improving the patent system, emphasizing proposals on injunctions, damages and related topics. IPO endorses a majority of the current patent reform proposals and is studying others. I will give an overview and then summarize our reaction to several proposals.

## **OVERVIEW OF PATENT LITIGATION AND PTO ISSUES**

### **Patent Litigation Increasing**

Our members almost universally believe the patent system needs improvement. Our members are being faced with increasing accusations of infringement. Often, the patent involved is of questionable validity and is being aggressively interpreted. Hildebrandt International's

## Intellectual Property Owners Association (IPO)

2004 Law Department Survey reported that the companies surveyed spent 32 percent more on outside counsel for intellectual property litigation in 2003 than in the previous year. They spent only one percent more for outside counsel on non-IP litigation. One-third of respondents in the 2003 “IPO Survey on Strategic Management of Intellectual Property” reported that dealing with “nuisance” IP litigation from non-competitors consumed significant amounts of their company’s time and resources.<sup>1</sup>

As reported by the Administrative Office of the U.S. Courts, the number of patent suits filed per year rose nearly 80 percent during the ten year period ending in 2004.<sup>2</sup> This is a substantial increase even considering that the number of patent applications filed per year increased substantially during the same period. The increase in the number of patent suits during the ten-year period was significantly higher than the increase in the number of copyright and trademark suits. These trends are shown in Appendix A and Appendix B to this statement.

Many people believe a substantial portion of the rise in litigation costs can be attributed in large part to organizations that have engaged in abusive practices including threatening frivolous lawsuits.<sup>3</sup> Patent litigation issues also can be traced to problems that have been experienced by the PTO.

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<sup>1</sup> Cockburn and Henderson, “The 2003 IPO Survey on Strategic Management of Intellectual Property,” October 2003 (Presented at IPO conference in Washington, DC on Nov. 10, 2003. Copies available from IPO).

<sup>2</sup> Data derived from the Annual Reports of the Administrative Office of the U.S. Courts from 1997 – 2004. Over the most recent 10-year period (1995 to 2004), filings at U.S. District Courts in patent suits increased by 78.5 percent. Total original filings in the U.S. District Courts in civil cases during this same period increased only 13.9 percent. See Appendix A. Data source: <http://www.uscourts.gov/judbususc/judbus.html>

<sup>3</sup> See generally materials from IPO conference “Patent Trolls and Patent Property Rights” held in Washington, DC on March 14, 2005 (Materials available from IPO).

# Intellectual Property Owners Association (IPO)

## **PTO Experiencing Problems**

IPO was one of the first organizations to say the PTO is in a “crisis.” For several years we have expressed concerns about the quality of patents granted by the PTO and the growing length of time required to grant or deny a patent. In 2002 we endorsed the PTO’s 21<sup>st</sup> Century Strategic Plan, which is directed at improving PTO operations and is now being implemented. The 2003 report by the Federal Trade Commission (FTC) and the 2004 report by the National Academy of Sciences (NAS) have recommended a number of changes to improve the PTO and the patent system generally, and we support many of their recommendations.

The diversion of more than three-quarters of a billion dollars in PTO user fees since 1992 has been a major factor in the PTO crisis.<sup>4</sup> If the PTO had had the opportunity to spend the diverted funds, which were paid by our members and other PTO users for services they expected to receive, today’s picture would be very different. We are optimistic that the situation at the PTO can be improved. Director Jon W. Dudas is acting aggressively with the aid of more than \$200 million annually in additional funding provided by last December’s patent fee increase to address the office’s problems. The PTO is hiring more patent examiners and making efforts to improve employee recruiting and training, recertify examiner skills, and improve patent procedures. We are cautiously optimistic that no more user fees will be diverted in the short term. The threat of fee diversion remains, however, and IPO supports legislation recently reintroduced in this Congress to end fee diversion permanently.

No silver bullet exists, of course, that can turn the PTO around overnight. The patent quality problem is complex and not amenable to any single solution. The time required to grant

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<sup>4</sup> For more information on the amount of user fees diverted from the PTO, see chart at <http://www.ipso.org/feediversion>.

## Intellectual Property Owners Association (IPO)

or deny a patent will continue to increase for some years despite stepped-up patent examiner hiring, because new examiners must undergo an extensive training program to become productive and because training large numbers of new examiners takes experienced examiners off the production line. We are in an environment in which confidence in the validity of patents will continue to be lower than desirable for the foreseeable future, and the time required to grant or deny a patent will be far longer than the traditional goal that IPO continues to support – an average of 18 months after filing the initial application until patent grant or denial. Problems with patent quality and long PTO delays create uncertainty about legal rights in technology. Uncertainty breeds litigation and discourages investment by patent owners and their competitors in research, development of new technology, and commercialization of new products needed to maintain the country's technological and economic strength. Uncertainty also results in high legal fees necessary to study and evaluate the increasing number of patents that are brought to the attention of our members – even if no litigation results. A speaker at a recent IPO meeting put it well: “The present patent system has created a market in uncertainty.”

Our members are also faced with high international patent costs. Under the existing system, U.S. applicants must file separate patent applications in each country where protection is needed. Unfortunately, patent harmonization is slow in coming and each country has unique requirements. In addition, patent offices around the world are wasting large sums by duplicating each others' efforts in patent searching and examination. Because of the lack of harmonization, this process is costly and inefficient. It is particularly onerous for small entities and individual inventors.

## Intellectual Property Owners Association (IPO)

Let me turn now to the issue at hand, serious reform of the U.S. patent system. To put the many issues into focus, it is important to remember the overall goals that we are seeking to achieve – and there are several.

### **GOAL 1: IMPROVE AND SIMPLIFY THE PROCESSING OF APPLICATIONS**

Starting at the beginning, a clear goal should be to simplify the processing of patent applications. For example, IPO supports the proposals for assignee filing. Our members believe that changing from a first-to-invent system to a first-inventor-to-file system would simplify processing and allow the PTO to spend precious resources on improving the quality of all issued patents, rather than spending disproportionate time on just a very few in which the date of earliest invention is contested. A recent study by former Patent Commissioner Gerald J. Mossinghoff has established that individual inventors fare no better under the first-to-invent system than they would under a first-inventor-to-file system.<sup>5</sup> IPO has long supported a first-inventor-to-file system for the U.S. even apart from the fact that it would greatly facilitate agreement on international harmonization.

IPO also supports the proposal to publish all applications at 18 months. This will not only give better notice to the public regarding the potential issuance of patents of interest, but will simplify the internal PTO process.

### **GOAL 2: IMPROVE THE QUALITY OF ISSUED PATENTS**

The next clear goal should be to improve the quality of the patents issued by the PTO. IPO supports a carefully designed system for the public to submit prior art during the examiner's

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<sup>5</sup> Washington Legal Foundation Civil Legal Issues No. 129, April 15, 2005.

## Intellectual Property Owners Association (IPO)

deliberations. In addition, our association leadership is recommending to our 50-member Board of Directors at its next meeting on June 24 that IPO should endorse a proposal for legislation allowing the PTO Director to establish rules to curtail abuses of the continuation application practice. We also support making available a post-grant opposition proceeding at the PTO.

### **Post-grant Patent Opposition Proceedings**

For more than a year our board has studied in detail a post-grant opposition system to provide public input into a final review of the examiner's decision. A post-grant opposition proceeding in the PTO would enable any competitor of a patent owner or other member of the public to make a request after the grant of a patent for the PTO to reconsider whether the patent should be granted. The party requesting an opposition could raise any of the statutory requirements for patentability as an issue for invalidity of the patent. Limited discovery would be available and appeals could be taken to the U.S. Court of Appeals for the Federal Circuit. IPO strongly endorses establishing this type of post-grant opposition proceeding.

We believe the opportunity to request an opposition should be available only for nine months after the grant of the patent. The alternative most commonly discussed is to make the opportunity to oppose a patent also available for a period of six months after the patent owner receives a notice of alleged infringement at any time during the life of the patent. This is a so-called a "second window." Those favoring a single, short window of time after patent grant for requesting opposition, including IPO, tend to view the opposition procedure as an additional review of the patent examination process in the PTO and an opportunity for members of the public to submit information and present arguments that may not have been available to the Office. Those favoring making oppositions available throughout the life of the patent tend to view the procedure as an alternative to patent validity litigation in U.S. District Courts. This

## Intellectual Property Owners Association (IPO)

would be similar to the “revocation” process that is found in the procedure of many foreign countries. Although an opposition procedure should not be viewed as a substitute for the Office performing a thorough initial examination, the existence of an opposition procedure for a limited time will reduce uncertainty and increase confidence by patent owners and the public in the quality of patents that have survived an opposition or have not been opposed. Limiting the time for oppositions will help avoid possible harassment of patent owners and avoid large numbers of opposition proceedings that would overtax the Office’s ability to handle the proceedings. Importantly, an indefinite period of opposition exposure would hinder the ability of startup companies to receive prompt funding through the venture capital system.

Any opposition proceeding must be carefully balanced to protect the interests of patent owners and competitors and to maintain the value of patents as an encouragement for invention, research, development, and commercialization. Changing one feature of a proceeding may require changing other features in order to maintain the desired balance. IPO has developed a list of 16 inter-related attributes that we believe would provide a balanced proceeding and improve patent quality. Our list is attached to this statement as Appendix C. Among other things, we recommend that: (1) the standard of proof applied during an opposition proceeding should be the clear and convincing evidence standard that is used in litigation; (2) the requester of an opposition proceeding should be required to publicly disclose its identity in every case; and (3) an opposition proceeding requested by an accused infringer should be stayed if an infringement suit is filed against the accused infringer in a district court before the opposition is requested.

## Intellectual Property Owners Association (IPO)

### **Improving Inter Partes Reexamination**

Related to post-grant oppositions is the proposal to modify the existing “inter partes reexamination” proceeding that was established in 1999 by the American Inventors Protection Act. Inter partes reexamination proceedings differ from the proposed post-grant opposition proceedings in that inter partes reexaminations are available at any time during the life of the patent and are limited to patentability issues based on earlier patents or publications describing the invention at issue – documentary prior art. We favor expanding inter partes reexaminations by (1) removing the limitation that a requester is estopped from asserting at a later time patent invalidity on any ground that the requester “could have raised” during the reexamination proceeding; and (2) removing the limitation that the proceeding is available only for patents granted on applications filed after November 29, 1999.

The estoppel and effective date provisions of the 1999 act have prevented significant use of inter partes reexamination to date. Only about 75 inter partes patent reexaminations have been requested. We believe that with the recommended changes, inter partes reexamination will serve as a useful complement to the proposed post-grant opposition proceedings by providing a relatively inexpensive proceeding for challenging a patent at any time during its life on the limited grounds – documentary prior art – on which the PTO has the most experience. With emphasis on prompt reexamination announced by Director Dudas recently, inter partes reexamination will also be a relatively rapid proceeding. Availability of an improved inter partes reexamination bolsters the case for limiting post-grant opposition proceedings to a nine-month period after grant.

## Intellectual Property Owners Association (IPO)

### **GOAL 3: REDUCE LITIGATION COSTS BY ELIMINATING SUBJECTIVE FACTORS**

A third important goal is to reduce litigation costs. Patent litigation often involves the resolution of disputes that involve subjective factors that are expensive to litigate. To achieve the goal of reduced litigation cost, IPO supports the elimination of the “best mode” requirement and changes in the law with respect to willful infringement. We also support broadening prior user rights to protect parties who independently commercially use or prepare for commercial use of a patented invention before a patent application is filed. Since willful infringement reform is one of the more strongly-debated issues in the current discussion, we will go into a bit more detail.

#### **Willful Infringement as Basis for Treble Damage Liability**

IPO supports clarifying the law and limiting awards of treble damages for patent infringement. Today willful infringement is asserted in virtually every case. The FTC, the NAS, and others also have recommended that treble damages be assessed against infringers only in limited situations. Some companies have said existing judicial interpretations on treble damages have caused them to be wary of even permitting their employees to read competitors’ patent documents, fearing that the company will be found to be on notice of infringement for purposes of treble damages liability. A cottage industry has sprung up using the tactic of sending hundreds of form “notice” letters offering to license a patent or “settle” for less than the investigation cost. The specter of treble damages hangs over the recipients of these form letters since under current law, these letters could conceivably be sufficient notice to start the meter running for increased damages. Imagine the vast legal churning caused by a patent infringement form letter sent to each of the Fortune 500 companies. In litigation, many feel that treble

## Intellectual Property Owners Association (IPO)

damages are too readily available and encourage owners of patents having questionable validity or questionable scope to file law suits and obtain settlements in cases in which defendants have not knowingly infringed a valid patent. The litigation of treble damages involves the expensive determination of highly subjective factors.

Treble damages should be limited to specific situations including instances where the defendant has received a detailed written notice from the patent owner charging infringement and identifying the *specific* patents and claims and the *specific* allegedly infringing products or processes. To give rise to the right to treble damages, the notice from the patentee must also be sufficient to give declaratory judgment jurisdiction to the receiver of the notice. Current law places the receiver of the form letter notice in legal limbo – subject to the possibility of treble damages but with no legal remedy to resolve the situation. Other circumstances in which treble damages are appropriate are those in which (1) the defendant intentionally copied the patent subject matter and (2) the patent was asserted against the defendant in a previous judicial proceeding. Legislation on this subject should also prohibit an inference of willful infringement based on the absence of an opinion of counsel and prohibit treble damages based merely on knowledge of a patent or its contents by the defendant.

We believe such reforms on willfulness and treble damages will help reduce litigation costs and discourage unwarranted suits.

### **Other Proposed Changes to Patent Infringement Remedies**

Patent law is necessarily “one size fits all” for diverse industries. This is required by TRIPS. In practice, different industries have vastly different business models and thus different needs from a patent system. For example, some industries (e.g., pharmaceuticals and the emerging biotech industry) rely heavily on an absolute exclusive right granted to them for a very

## Intellectual Property Owners Association (IPO)

few, highly significant discoveries. In these industries, a single patent can be worth, literally, billions of dollars. Licensing does not fit the business model. Other industries are quite different (e.g. microelectronics and software). These industries are characterized by large numbers of incremental improvement inventions and industry cross licensing is common. In addition, particularly in software, sometimes very little research expenditure is needed to create patentable invention. Thus, one industry's "minor shift in the balance of equities" may be another industry's "major assault on our business model." Being a broad-based organization, IPO has constituencies in all camps.

### **(1) Injunctions**

Although neither the FTC report nor the NAS report made a recommendation on injunctions, this year several proposals have been put forward to make permanent injunctions less readily available to patent owners to stop infringement of patents. Some citations to sources of information on the history and current law with respect to injunctions in patent cases are set forth in Appendix D. I will discuss two current proposals in some detail here.

In 2001, the IPO Board of Directors rejected a specific proposal on injunctions that appeared in a bill introduced in Congress in 2004 and in a discussion draft this year.<sup>6</sup> That proposal would do the following:

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<sup>6</sup> The proposal is to add the following subsection at the end of patent code section 283: "(b) Grounds for Granting Injunction- A court shall not grant an injunction under this section unless it finds that the patentee is likely to suffer irreparable harm that cannot be remedied by payment of money damages. In making or rejecting such a finding, the court shall not presume the existence of irreparable harm, but rather the court shall consider and weigh evidence, if any, tending to establish or negate any equitable factor relevant to a determination of the existence of irreparable harm, including, but not limited to, the extent to which the patentee makes use of the technology claimed by the patent." H.R. 5299, Sec. 6, 108<sup>th</sup> Cong., 1<sup>st</sup> Sess. (2004).

## Intellectual Property Owners Association (IPO)

- Shift the burden from the infringer to the patent owner on the issue of whether a permanent injunction should be granted – after the patent is finally held to be valid and infringed,
- Establish a standard that a permanent injunction should not be granted unless the patent owner is likely to suffer irreparable harm that cannot be remedied by money damages – the standard used in *preliminary* injunction determinations, and
- Require the court to consider as one factor the extent to which the patent owner was using (i.e. manufacturing) the invention.

The likely effect of these changes would be to make patent rights in the U.S., in many cases, subject to compulsory licensing, a common feature of patent systems abroad. By encouraging the court to consider the patent owner's use, many have argued that the proposal would essentially establish a requirement similar to working requirements found in patent laws abroad that provide weaker incentives for innovation.

By removing the prospect of obtaining a permanent injunction in many cases, such a proposal would remove an injunction as the patent owner's leverage to encourage infringers to settle disputes by taking licenses. With reduced prospect of injunctions, voluntary licenses would become more difficult to obtain and royalty rates would be more often determined by courts and less often determined by market forces.

A working requirement is inconsistent with the concept of patents as private property rights. A working requirement would greatly diminish the value of patents and incentives for innovation they provide, particularly for universities, which are not manufacturers, and small businesses and inventors who may lack the resources to have patented products or services on

## Intellectual Property Owners Association (IPO)

the market before litigation. The Supreme Court squarely rejected mere non-use of an invention as a reason for denying an injunction in the *Continental Paper Bag Co.* case. The Federal Circuit's *Smith International* opinion, which has been cited in support of the need for changes in the law of permanent injunctions, was a preliminary injunction opinion.

Recently a new proposal on injunctions has been suggested. This proposal does not appear to include the burden-shifting, irreparable harm, and working requirement features of the earlier proposal considered by the IPO Board. The new proposal would add the following sentence to section 283 of the patent code:

In determining equity, the court shall consider the fairness of the remedy in light of all the facts and the relevant interest of the parties associated with the invention.

We are studying this proposal and have not yet taken a position. Some support this proposal. Some would like to see the proposal articulate a strong “public interest” component. Some believe no case has been made for any change in the availability of permanent injunctions. We believe the following questions should be answered before a change in law such as this is enacted:

- Has the Court of Appeals for the Federal Circuit in fact departed from the scope of section 283, which has its origins in an 1819 act that first gave federal courts jurisdiction to grant injunctions in patent and copyright cases and was interpreted by the Supreme Court in the *Continental Paper Bag* case? This question should be answered by analysis and comparison of a significant sample of court opinions.
- Does granting a permanent injunction in patent and copyright cases currently require a balancing of hardships of the patent owner and the infringer, as in the case of preliminary injunctions, or is it the current law that a permanent injunction will be

## Intellectual Property Owners Association (IPO)

granted to the patent owner as a matter of course after a final judgment of infringement and appeal, subject only to narrow exceptions including public interest?

- In the recent proposal, what is meant by “the fairness of the remedy” and “the relative interest of the parties?” Does the relevant interest of the parties encompass such factors as financial impact on the infringer?

### **(2) Reasonable Royalty Damages for Combination Inventions**

Another recent proposal affecting patent damages is to add the following language to section 284 of the patent code:

In determining a reasonable royalty in the case of a combination, the court shall consider, if relevant and among other factors, the portion of the realizable profit that should be credited to the inventive contribution as distinguished from other features of the combination, the manufacturing process, business risks, or significant features or improvements added by the infringer.

IPO has not yet taken a position on this proposal, which appears to be directed at the so-called “entire market value rule” that has been applied by courts in cases where the patented feature is the entire basis for customer demand for a larger apparatus or method. The proposal is consistent with the 13<sup>th</sup> factor for determining damages in the comprehensive list of factors named by the court in *Georgia-Pacific Corp. v. U.S. Plywood-Corp.*<sup>7</sup> This proposal has a ring of fairness, but we are studying whether the proposal might give disproportionate weight to one factor and whether it might give patent applicants incentives to draft more patent claims for combinations. Before this proposal is enacted into law, the need for legislation should be documented and the change from existing law, if any, should be clearly articulated. Need should be supported by analysis of cases in which unfair results were reached.

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<sup>7</sup> 318 F. Supp. 1116, 1119-1120 (S.D.N.Y. 1970).

# Intellectual Property Owners Association (IPO)

## CONCLUSION

As can be seen, the proposals are extensive, complex and in many cases interrelated. While some of the proposals are controversial, the majority represent true improvement with broad-based support. We know that this is a long road but we are confident that the Subcommittee can fashion a bill with the best of the proposals and make major improvements in the patent system.

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Appendix A: IP Suits Filed in U.S. District Courts, 1995-2004

Appendix B: Patent Suits, Patent Application Filings and Patent Grants, 1995-2004

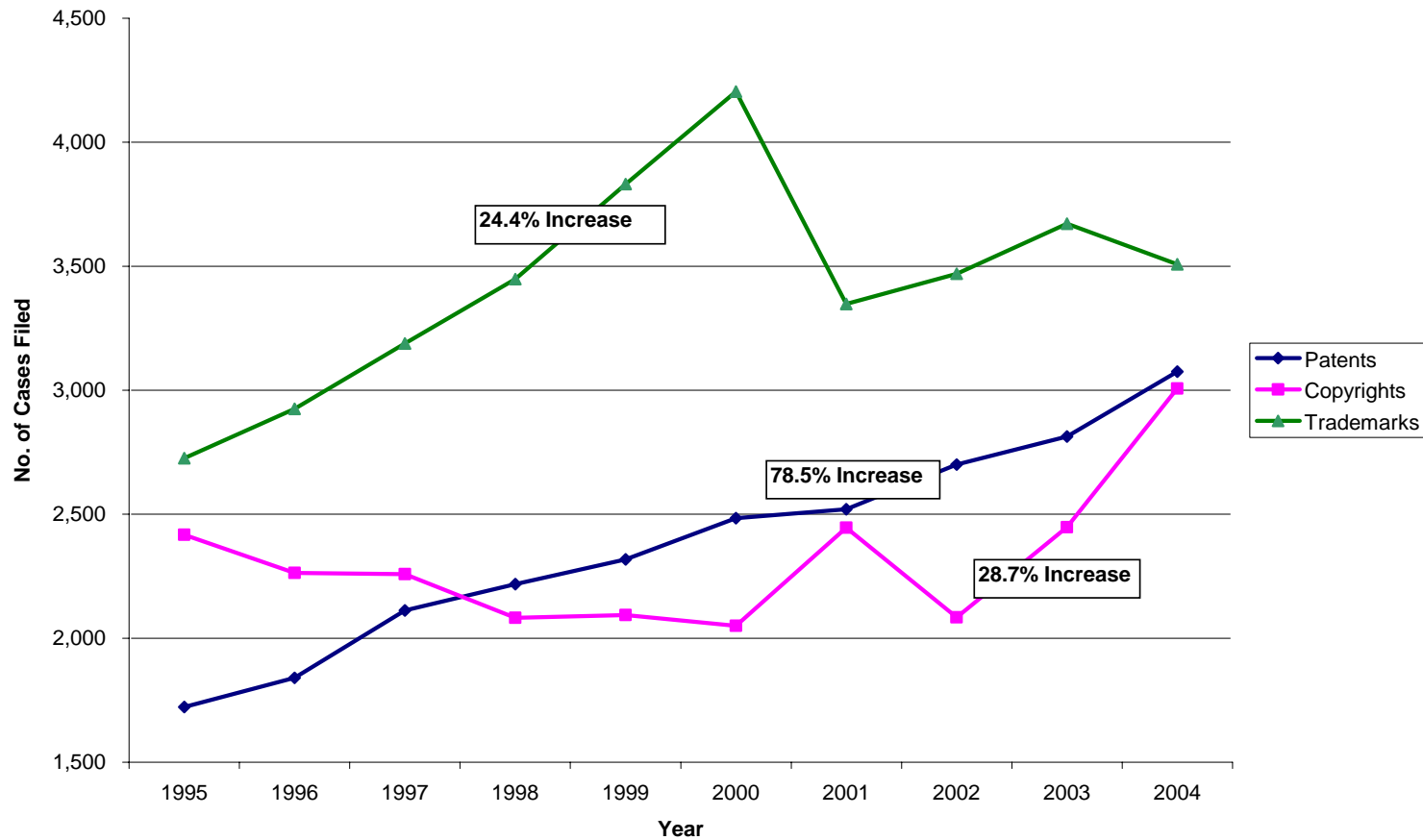
Appendix C: IPO Recommendations on Post-Grant Opposition Proceedings

Appendix D: Citations to Sources on Injunctions in Patent Cases



APPENDIX A

IP Suits Filed in U.S. District Courts, 1995 - 2004

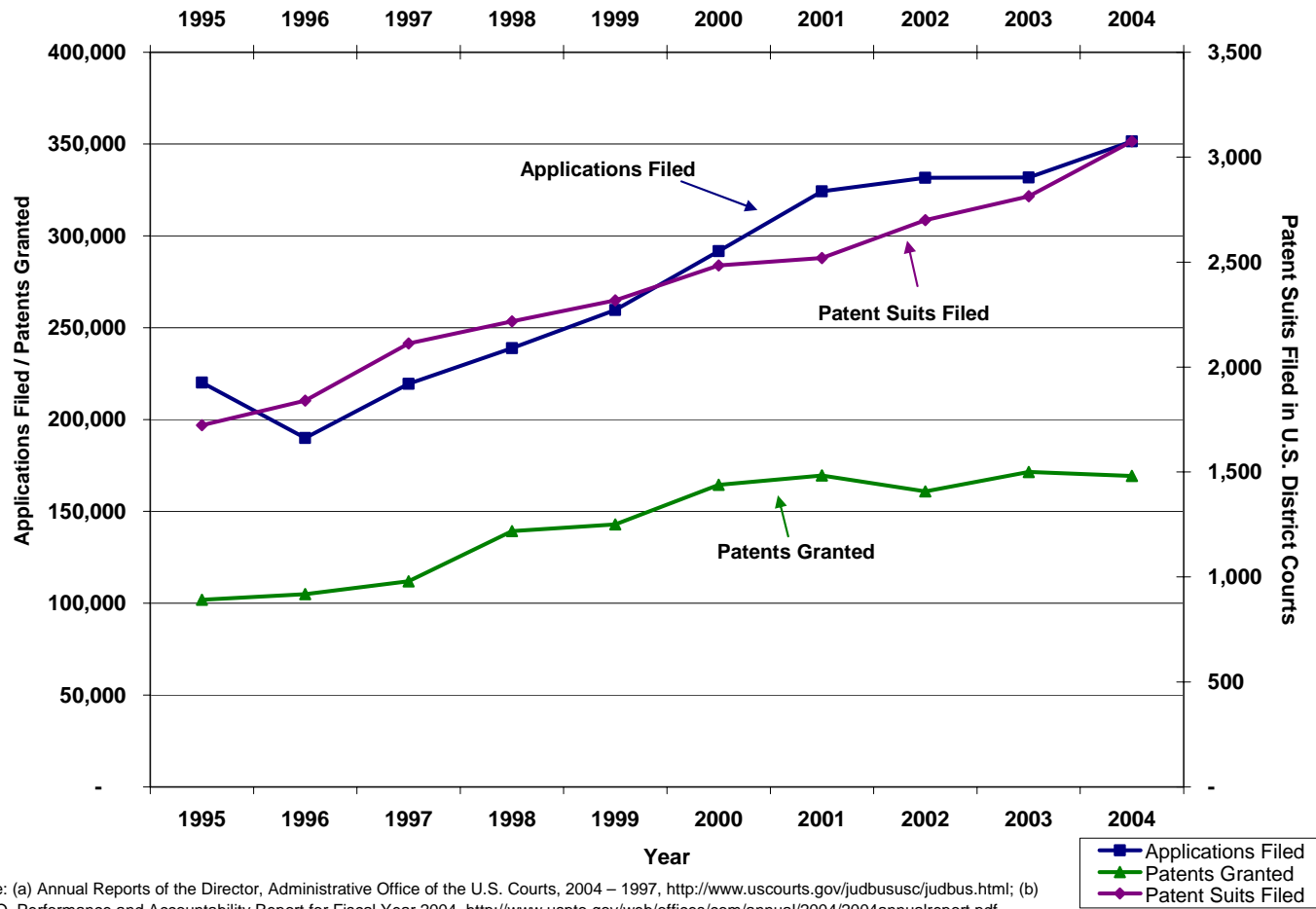


Source: Annual Reports of the Director, Administrative Office of the U.S. Courts, 2004 – 1997, <http://www.uscourts.gov/judbususc/judbus.html>

APPENDIX B



Patent Suits Filed in U.S. District Courts and Patent Applications Filed and Patents Granted at the USPTO, 1995 - 2004



Source: (a) Annual Reports of the Director, Administrative Office of the U.S. Courts, 2004 – 1997, <http://www.uscourts.gov/judbususc/judbus.html>; (b) USPTO, Performance and Accountability Report for Fiscal Year 2004, <http://www.uspto.gov/web/offices/com/annual/2004/2004annualreport.pdf>

# Intellectual Property Owners Association (IPO)

## APPENDIX C

### **IPO Resolution on Establishing a Post-Grant Opposition System**

*As revised at the 11/09/2004 Board Meeting and approved by the IPO Board of Directors*

RESOLVED, that the Intellectual Property Owners Association supports amendment of the patent laws to establish post-grant opposition proceedings in which patentability of issued claims can be reviewed by Administrative Patent Judges of the Board of Patent Appeals and Interferences of the United States Patent and Trademark Office, provided such proceedings include the following attributes:

1. [Time for Filing] - Any request for a post-grant opposition must be made no later than 9 months after the date of the patent grant;
2. [Grounds] - Any ground of patentability, with the exception of “best mode” (35 U.S.C. § 112, 1) and derivation (35 U.S.C. § 102(f)), may be raised in the request, but no issues of priority of invention (35 U.S.C. § 102(g)) nor enforceability shall be considered;
3. [Threshold Showing] - Any party requesting initiation of an opposition proceeding shall be required to make a threshold showing of unpatentability of at least one claim of the patent before the patent owner is required to respond to the opposition;
4. [Discovery] - Discovery from a party to an opposition shall be limited to cross-examination of declarants;
5. [Additional Evidence] - Following initiation of a post-grant opposition proceeding, the party requesting the proceeding shall not be permitted to advance a new ground of unpatentability in the opposition proceeding;
6. [Claim Amendments] - The patent owner shall have the right to amend its claims in its response to the initial request and after any new prior art is presented by an opponent after filing its initial request;
7. [Other USPTO Proceedings] - No party to the opposition proceeding shall be prevented by the opposition proceeding from filing other concurrent or subsequent proceedings in the United States Patent and Trademark Office;
8. [Standard of Proof] - The standard of proof to be applied for determining unpatentability of a claim during a post-grant opposition proceeding shall be the clear and convincing evidence standard;
9. [Estoppel] - A judgment in favor of patentability of any claim in the opposition proceeding shall estop the opposer from challenging validity of that claim in other proceedings on the basis of evidence and prior art presented during the opposition proceeding;
10. [Duty of Disclosure] - The patent owner’s duty of disclosure during the opposition shall be no greater than that applicable to a party in litigation before a Federal court;
11. [Length] - The opposition proceeding shall conclude within 12 months of the expiration of the 9-month post-grant request period and any patent claim surviving the opposition proceeding unamended

# Intellectual Property Owners Association (IPO)

## **APPENDIX C (continued)**

shall be subject to day-for-day patent term adjustment for any period of pendency of the proceeding beyond the 12 months, excluding delays caused by the patent owner;

12. [Identity of Opposer] - Any party requesting initiation of a post-grant opposition proceeding must disclose its identity to the patent owner in the opposition proceeding;

13. [Infringement Suit] – In the event an infringement action is brought against an accused infringer prior to the filing of a post grant opposition request by the accused infringer, then any opposition proceedings involving the patent shall be stayed until the infringement action is finally resolved;

14. [Appeal] - Judicial review of a post-grant opposition proceeding shall be exclusively by way of appeal to the Court of Appeals for the Federal Circuit;

15. [Consolidation] - Multiple oppositions against a single patent shall be consolidated into a single opposition action following the expiration of the nine-month filing period; and,

16. [Right to Hearing] - Parties to an opposition shall have the right to a hearing before the decision of USPTO on the opposition is reached.

## APPENDIX D

### Citations to Sources on Injunctions in Patent Cases\*

#### Statutes

Act of Feb. 15, 1819, Ch. 19, 3 Stat.481, (“The circuit courts of the United States, shall have original cognizance, as well in equity as at law . . . and . . . shall have authority to grant injunctions, according to the course and principles of courts of equity, to prevent the violation of the right of any authors and inventors . . . on such terms and conditions as the said courts may deem fit and reasonable . . . .”) (Statute giving federal courts equity jurisdiction in patent and copyright cases for the first time.)

Patent Act of 1836, Ch. 37, 5 Stat.117, Sec.17 (July 4, 1836) (“ . . . which courts shall have the power, upon bill in equity filed by any party aggrieved, in any such case, to grant injunctions, according to the course and principles of courts of equity, to prevent the violation of the rights of any inventor . . . on such terms and conditions as said courts may deem reasonable . . . .”)

Patent Act of 1870, Ch. 230, 16 Stat. 198, Sec. 55 (July 8, 1870), (“ . . . the court shall have power, upon bill in equity filed by any party aggrieved, to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable . . . .”)

Patent Act of 1952, Ch. 950, 66 Stat. 812 (July 19, 1952) (35 U.S.C. 283) (“The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”)

Patent Act of 1952, Ch. 950, 66 Stat. 810 (July 19, 1952) (35 U.S.C. 261) (“Subject to the provisions of this title, patents shall have the attributes of personal property . . . .”)

#### Court Opinions

*Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 201 U.S. 405 (1908) (Nonuse of invention standing alone not reason for withholding permanent injunction. Patent statute interpreted in light of policy of U.S. Constitution to give inventor a property right.)

*Smith International, Inc. v. Hughes Tool Co.*, 718 F.2d 1573 (Fed. Cir. 1983) (Preliminary injunction.)

*Mercexchange, L.L.C. v. eBay, Inc.* 401 F.3d 1323 (Fed. Cir. 2005)

(“Injunctions are not to be reserved for patentees who intend to practice their patents, as opposed to those who choose to license. The statutory right to exclude is equally available to both groups . . . courts will issue permanent injunctions against patent infringement absent exceptional circumstances.”)

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\*Includes citations to some sources not referred to in Mr. Hawley’s statement.