

TROLL OR NO TROLL? POLICING PATENT USAGE WITH AN OPEN POST-GRANT REVIEW

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ABSTRACT

In December 2004, a mystery business, JGR Acquisitions Inc., purchased the patent portfolio of bankrupt Commerce One at auction. Commerce One had not previously enforced the acquired patents and many companies were using the patented technologies at the time of the auction. Patent watchdog groups argued that JGR—a potential patent troll formed solely to purchase Commerce One’s patents—should not be able to use the patents as a vehicle to extract licensing fees and that the patents should lapse into the public domain. Under current law, however, there is no provision for patents to be invalidated merely because they are used in a manner that discourages innovation. This iBrief argues that in order to keep patent trolls from stifling innovation and to protect legitimate patent holders, the Patent and Trademark Office should require an open post-grant review whenever patents are renewed or sold.

INTRODUCTION

¶1 Intellectual property development is surging in the United States and nowhere is this more evident than in the field of patents.² Currently, patents are being granted on a variety of inventions ranging from online shopping carts³ to cantilever-free magnetic resonance force microscopes.⁴ At the same time patents are being granted on a wider range of inventions, the potential uses for granted patents are expanding beyond the traditional applications.⁵ Historically, patents were issued to “increase the incentive to

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² See, e.g. NAT’L RESEARCH COUNCIL OF THE NAT’L ACADS., A PATENT SYSTEM FOR THE 21ST CENTURY 28 (Stephen A. Merrill et al. eds., 2004) [hereinafter “A PATENT SYSTEM”], available at <http://www.nap.edu/html/patentsystem/0309089107.pdf>.

³ U.S. Patent No. 5,715,314 (issued Feb. 3, 1998) (the name of the patent is “Network sales system”); see ELEC. FRONTIER FOUND., ELECTRONIC FRONTIER FOUNDATION’S PATENT BUSTING PROJECT, at <http://www EFF.COM/patent/> (last visited Jan. 29, 2005) [hereinafter “PATENT BUSTING PROJECT”].

⁴ U.S. Patent No. 6,836,112 (issued Dec. 28, 2004).

⁵ See A PATENT SYSTEM, supra note 2, at 31.

invent by conferring the right to exclude others from making, using, or selling the invention in exchange for foregoing secrecy by publishing the invention, making the information available for others to build upon.”⁶ Today, however, individuals and firms are purchasing patents in order to strategically enforce the inventor’s rights.⁷

¶2 One form of strategic enforcement encompasses purchasing a patent for the sole purpose of receiving licensing fees.⁸ This type of enforcement—potentially a case of patent trolling—may have been JGR Acquisitions Inc.’s (JGR) goal when it purchased Commerce One’s patent portfolio. Commerce One was founded in 1994 and its focus was on developing electronic commerce software applications.⁹ The company encountered financial difficulties, however, and was forced to sell a number of its patents at a bankruptcy auction. The seven patents and thirty-two patent applications Commerce One sold covered a broad spectrum of electronic communication and web service technologies and standards.¹⁰ The technologies these patents covered remain widely used by companies such as IBM and Microsoft.¹¹

¶3 On December 6, 2004, JGR purchased the rights to the patented technologies for \$15.5 million at the bankruptcy auction.¹² Interestingly, JGR was incorporated on December 1, 2004,¹³ possibly for the sole purpose of purchasing the Commerce One patents.¹⁴ While JGR’s owners remain unknown, some have speculated that IBM and Microsoft were involved.¹⁵

¶4 Jason Schultz of the Electronic Frontier Foundation stated, “[t]hese patents, in the wrong hands, would be used to shake down any companies that operate in Web services and use standards.”¹⁶ One of the inventors

⁶ *Id.* at 35.

⁷ *See id.* at 31, 35.

⁸ A traditional use would be to purchase the patent in order to use the technology and receive licensing fees. *See generally id.* at 31-38.

⁹ John Markoff, *Auction of Internet Commerce Patents Draws Concern*, N.Y. TIMES, Nov. 16, 2004, at C4.

¹⁰ Renee Boucher Ferguson, *Commerce One Auctioned Off; Will Patents be Used for Commercial Gain?*, EWEEK, Dec. 13, 2004, at 24.

¹¹ Markoff, *supra* note 9.

¹² Victoria Slind-Flor, *Who Done It?: At a Patent Auction in December, a Mysterious Bidder Takes Home a \$15.5 Million Patent Portfolio*, 5 IP L. & BUS., Jan. 5, 2005, at 14.

¹³ Ferguson, *supra* note 10.

¹⁴ *See* Slind-Flor, *supra* note 12 (describing several companies which were formed solely for the purpose of bidding on the patents or used names specifically established for the auction).

¹⁵ *Id.* (IBM declined any involvement with JGR, but Microsoft declined to comment).

¹⁶ Ferguson, *supra* note 10.

named on the patents, Robert Glushko, believed the patents should no longer be enforceable.¹⁷ He claimed Commerce One intended to create a public standard with the patents and not restrict public use of the technologies.¹⁸ Given the clear intentions of the inventors, Glushko believes the patented technologies may actually have lapsed into the public domain.¹⁹

¶5 In order to prevent potential licensing terrorism²⁰—strategically enforcing patents intended for public use—and to provide stability and predictability for inventors using the patent system, new legislation modifying the Patent Act²¹ is necessary. The Patent Quality Assistance Act (PQAA),²² introduced in November of 2004, would modify the Patent Act “to improve patent quality, deter abusive practices by unscrupulous patent holders, and provide meaningful, low-cost alternatives to litigation for challenging the patent validity” through a post-grant review procedure.²³ This iBrief proposes another aspect of a post-grant review that would prevent patented technology from being exploited by patent trolls and protect legitimate patent holders. Specifically, the Patent and Trademark Office (PTO) should review patents in two situations: (1) at the time when the renewal fee for a patent is due and (2) anytime a patent is sold. Part I demonstrates the adverse effects of patent trolls on the patent system and presents a situation where seemingly troll-like behavior is nonetheless desirable. Part II explains the legal principles an open review would be founded upon, addresses procedural aspects of an open review, and applies an open review procedure to two real-world examples.

I. PERNICIOUS PATENT TROLLS OR LEGITIMATE PATENT ENFORCERS?

¶6 In order to understand the desirability and benefits of an open review, it is necessary to define both the type of behavior the open review would prohibit and the type of behavior it would continue to allow. Ideally, the open review would limit patent enforcement by patent trolls while protecting the patent enforcement of legitimate patent holders.

¹⁷ Slind-Flor, *supra* note 12.

¹⁸ Markoff, *supra* note 9.

¹⁹ *Id.*

²⁰ See Jason Schultz, *When Dot-Com Patents Go Bad*, SALON.COM, Dec. 13, 2004 (comparing this type of licensing to cold war terrorism), at http://www.salon.com/tech/feature/2004/12/13/patent_reform/.

²¹ 35 U.S.C. §§ 1-376 (2000).

²² Patent Quality Assistance Act of 2004, H.R. 5299, 108th Cong. (2004).

²³ 150 Cong. Rec. E1935 (daily ed. Oct. 11, 2004) (statement of Rep. Berman).

A. *Patent Trolls Deter Innovation*

¶7 There are two types of patent trolls: individuals and corporations. An individual patent troll is a patent holder who receives a patent and then secretly waits for another inventor to develop the same technology.²⁴ When this happens, the troll appears and demands licensing fees for the use of the patented technology. The troll, however, never markets the technology or makes expenditures to develop the invention.²⁵ He merely waits for the industry to grow up around the patent so he can then extract licensing fees from the unsuspecting infringers. Similarly, corporate patent trolls purchase patents and do not enforce them until the relevant industry has grown up around the patent. Some commentators have described corporate patent trolls as “patent system bottom feeders” who buy “improvidently-granted patents from distressed companies for the sole purpose of suing legitimate businesses.”²⁶

¶8 The National Research Council of the National Academies lists four effects patent trolls have on innovation and competition:

- (1) In contrast to incentives to genuine innovation, patents on trivial innovations may confer market power or allow firms to use legal resources aggressively as a competitive weapon without consumer benefit.
- (2) Poor patents could encourage more charges of infringement and litigation, raising transaction costs.
- (3) The proliferation of low-quality patents in a technology complicates and raises the cost of licensing or avoiding infringement.
- (4) The uncertainty about the validity of previously issued patents may deter investment in innovation and/or distort its direction.²⁷

¶9 A further deterrence to investment in innovation occurs when trolls purchase patents which have not previously been enforced and suddenly begin enforcing them.²⁸ This deterrence could potentially occur in the case

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Patent Quality Improvement: Hearings Before the Subcomm. On Courts, the Internet and Intellectual Property of the House Comm. On the Judiciary, 198th Cong.* 21 (2003) (quoted in Mark D. Janis, *Ideas into Action: Implementing Reform of the Patent System: Reforming Patent Validity Litigation: The “Dubious Preponderance”*, 19 BERKELEY TECH. L.J. 923, n.1 (2004) [hereinafter Janis I]).

²⁷ A PATENT SYSTEM, *supra* note 2, at 95.

²⁸ This deterrence to innovation is the motivation for the type of open review proposed here. The current proposals for an open review are motivated by validity concerns—not by how valid patents have been used. *See, e.g., id.* at 6-7 (“The grounds for a challenge could be any of the statutory standards—novelty, utility, non-obviousness, disclosure or enablement—or even the case law proscription on patenting abstract ideas and natural phenomena”); FED. TRADE

of the Commerce One patents, which up until the bankruptcy auction had never been enforced. Companies infringing a troll's technology probably do so because they are unaware of the patent or believe they have permission to use the technology.

¶10 Under the current patent system, when a troll begins enforcing his patent, companies who are using the troll's technology are virtually compelled to pay a licensing fee because a finding of infringement would result in the automatic issuance of a permanent injunction and other penalties.²⁹ The PQAA would allow courts to weigh all the equities involved in order to determine whether or not a permanent injunction against the alleged infringer is proper.³⁰ However, this might not be sufficient deterrence for troll-like behavior because the costs of litigation are often greater than the licensing fees the troll requests.³¹ Because litigation is not a sufficient deterrent for patent trolls, an effective, low cost alternative is needed. An open review would provide such an alternative.

B. Some Troll-Like Behavior is Necessary to Protect Legitimate Patent Enforcers

¶11 While an open review would eliminate most current troll-like behavior, it must not be so severely tailored as to impose significant additional costs on legitimate patent purchasers. In some cases patent holders lack the resources to apply their patented technology and enforce their patent rights. An open review must be sufficiently flexible to allow other entities interested in utilizing the patented technology to acquire the patent rights and enforce them.

COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY, Executive Summary at 7-8 (2003) [hereinafter FTC REPORT] (“At a minimum, patent challengers should be able to raise issues of novelty, nonobviousness, written description, enablement, and utility.”), at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

²⁹ A PATENT SYSTEM, *supra* note 2, at 6-7.

³⁰ *See id.*; H.R. 5299, 108th Cong. § 6 (2004) (“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.”).

³¹ *See, e.g.,* Timothy Aeppel *Patent Dispute Embroils Host of Industries*, WALL ST. J., Oct. 21, 2004, at B1 (citing several companies who have decided to pay licensing fees for an allegedly illegitimate patent because the licensing fee is much less than potential litigation costs).

¶12 The desirability of such patent purchases is demonstrated by the conditions surrounding Eli Whitney's cotton gin. Whitney received a patent for the cotton gin in 1794.³² Prior to Whitney's invention, one farm worker could produce one pound of cotton lint per day by hand. However, with the advent of the cotton gin, one worker was able to produce nearly fifty times that amount.³³ Before Whitney invented the gin, the South was exporting 487,000 pounds of cotton to England per year. One year after the cotton gin, that number increased to 1.6 million pounds.³⁴ By the time Whitney died in 1825, cotton exports to England alone reached 171 million pounds.³⁵ In 1850, Thomas Macaulay noted, "What Peter the Great did to make Russia dominant, Eli Whitney's invention of the gin has more than equaled in its relation to the power and progress of the United States."³⁶ The cotton gin was a useful, novel and nonobvious invention, meeting the criteria for patentability.

¶13 Despite the commercial success of the gin, however, Whitney had trouble enforcing his exclusive rights to the invention. By 1804 Whitney had filed sixty patent infringement suits in Georgia alone, but had been unsuccessful in all of these actions.³⁷ In response to the rampant infringement Whitney said, "I have a set of the most Depraved villains to combat and I might almost as well go to *Hell* in search of *Happiness* as apply to a Georgia-Court for Justice."³⁸

¶14 Scientific progress was accomplished in granting Whitney the patent on the cotton gin because he was required to disclose the invention. This disclosure enabled society, as well as scores of infringers, to benefit from the technology. However, innovation was stifled because Whitney had little time to invent anything else while pursuing the pointless litigation.³⁹ In any case, if Whitney had ever invented something else, he would not have likely applied for a patent, but instead relied on trade secret laws to protect his interests. Thus, in the case of the cotton gin, the goal of the Patent Act to incentivize future innovation was not achieved.

¶15 While it is possible that another individual with greater resources than Whitney would have been no more effective at obtaining favorable

³² Stephen Yafa, *The Man Who Made Cotton King*, INVENTION & TECH., Winter 2005, at 50-51.

³³ *Id.*

³⁴ *Id.* at 57.

³⁵ *Id.*

³⁶ *Id.* at 53.

³⁷ *Id.* at 51.

³⁸ *Id.* at 52 (emphasis in original).

³⁹ *Id.* at 57. By the end of his life, Whitney had turned to musket manufacturing, and helped contribute to the idea of mass marketing with interchangeable parts.

judgments in court,⁴⁰ a more skillful and powerful negotiator could have obtained some licensing fees from infringers. Because Whitney was legitimately trying to enforce his patent rights, and the infringers knew he was doing so, he should have been allowed to sell his patent and recover his investment. The purchase price would have provided Whitney a portion of the economic benefit derived from his invention and created the incentive for him to invent again.

¶16 The cotton gin and other similar examples show why there should be no blanket rule that one person cannot acquire and enforce another's patent. Not every patent acquirer who enforces a patent is a patent troll. Anyone who purchased the cotton gin patent would not have been doing anything unexpected by continuing to pursue licensing fees from people who were infringing the cotton gin. In such situations, the incentive to invent grows because inventors realize that if they are not successful in enforcing their patents, the patents still might have some value as a salable business product.

¶17 One major difference between the cotton gin hypothetical and Commerce One's patent auction is in the public's perception of the patented technology prior to the sale. In the case of the cotton gin, cotton farmers knew they were using the cotton gin technology against the wishes of Eli Whitney.⁴¹ However, in the case of the Commerce One patents, the public expected to have free use of the technology covered by the Commerce One patents based on communications by the inventors.⁴² Given these differences, one issue that should be addressed in assessing the propriety of patent purchases is whether the public can reasonably expect the original patent holder to enforce his patent at the time of the sale? If yes, then the patent purchaser is justified in enforcing the patent, but if no, then the purchaser should not be able to enforce the patent. Innovation is unjustifiably stifled if people who had been legally using patented technology to produce new technology may no longer do so—or can use it only after paying significant licensing fees.

¶18 Admittedly, in the cotton gin example commercial success might have been stifled had another party suddenly been successful in enforcing the patents,⁴³ but the infringers were on notice of their actions. Whatever commercial success the infringers lost would have been justified by the purpose of the Patent Act.⁴⁴ If the exclusive rights guaranteed by the Patent

⁴⁰ See *id.* at 52. It appears the Georgia courts were set on denying Whitney, or anyone else, rights associated with the cotton gin patent.

⁴¹ See *id.*

⁴² See Markoff, *supra* note 9.

⁴³ Processing cotton today employs substantially the same process as invented by Whitney in 1794. See . Yafa, *supra* note 32, at 54, 56.

⁴⁴ See A PATENT SYSTEM, *supra* note 2, at 35.

Act become unstable or uncertain, initial inventions, such as the cotton gin, would not be available for subsequent improvements. Ultimately, innovation will suffer.⁴⁵

II. GETTING RID OF THE TROLL AND PROTECTING THE LEGITIMATE ENFORCER THROUGH AN OPEN REVIEW

¶19 In order to prevent patent trolls from deterring innovation and protect legitimate patent enforcers, an open post-grant review should be available as an alternative to costly litigation. Patent trolls should be unable to capitalize on market uncertainty by allowing others to unknowingly develop infringing technologies while waiting in the wings to subsequently appear and extract licensing fees. At the same time, as demonstrated in the previous section, a patentee should be able to sell his patent rights in certain situations and the purchaser should be able to enforce the patentee's rights. The best way to achieve this balance is to introduce legislation requiring the PTO to conduct an open review of a patent whenever a patent is renewed or sold.

A. Open Review Based on the Equitable Principles of Laches and Estoppel

¶20 Because the most effective way to currently challenge a questionable patent is through costly litigation, the Federal Trade Commission (FTC) has recommended "an administrative procedure for post-grant review and opposition that allows for meaningful challenges to patent validity short of federal court litigation."⁴⁶ The FTC's review would be substantially broader than the current *inter-partes* reexamination provided for in the Patent Act.⁴⁷ It would allow a challenger to *at least* challenge novelty, nonobviousness, written description, enablement, and utility.⁴⁸ The FTC's review would be much shorter than current litigation

⁴⁵ See FTC REPORT, *supra* note 28, Executive Summary at 1-3.

⁴⁶ *Id.* at 7-8.

⁴⁷ See 35 U.S.C. §§ 311-18 (2000). For a general critique of the *inter-partes* proceeding, see Mark D. Janis, *Inter Partes Patent Reexamination*, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 481 (2000) [hereinafter Janis II]. Janis says, "To put it pointedly, inter partes reexamination is a dog. Its substantive scope is too narrow, its procedural assurances of meaningful third-party participation are questionably, its appeal provisions are too limited, and its estoppel provisions are excessive." *Id.* at 498.

⁴⁸ FTC REPORT, *supra* note 28, Executive Summary at 8 n.26; see also A PATENT SYSTEM, *supra* note 2, at 6-7 ("The grounds for a challenge could be any of the statutory standards—novelty, utility, non-obviousness, disclosure or enablement—or even the case law proscription on patenting abstract ideas and natural phenomena.").

and would also provide a wider range of remedies than courts currently provide.⁴⁹

¶21 While the FTC's review is certainly a step in the right direction, the open review proposed by this iBrief would not focus on statutory validity, but instead on equitable validity. This system would allow challenges to patent validity based on how a patent had been used. Such an open review would be based on two equitable principles which are currently affirmative defenses to patent infringement claims: laches⁵⁰ and estoppel.⁵¹

¶22 The seminal United States Court of Appeals for the Federal Circuit case *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*⁵² discusses the current state of the law regarding laches and estoppel in patent infringement actions.⁵³ Aukerman owned patents covering a method and device used in pouring concrete highway barriers.⁵⁴ Chaides purchased one of the devices and was informed by Aukerman in 1979 that it needed to sign a license agreement for the method patent.⁵⁵ Chaides responded that Aukerman could sue if it wished but the amount of damages would be low and not worth Aukerman's time.⁵⁶ Aukerman took no further action until 1987 when it learned that Chaides was a competitor of one of its licensees.⁵⁷ Aukerman subsequently filed an infringement action against Chaides in

⁴⁹ See A PATENT SYSTEM, *supra* note 2, at 95-96, 98 (Patent litigation typically does not occur until seven to ten years after the patent is granted, and might take up to three years to complete. An open proceeding could be resolved in as little as one year.).

⁵⁰ "1. Unreasonable delay in pursuing a right or claim—almost always an equitable one—in a way that prejudices the party against whom relief is sought. . . . 2. The equitable doctrine by which a court denies relief to a claimant who has unreasonably delayed in asserting the claim, when that delay has prejudiced the party against whom relief is sought." BLACK'S LAW DICTIONARY (8th ed. 2004).

⁵¹ "1. A bar that prevents one from asserting a claim or right that contradicts what one has said or done before or what has been legally established as true. . . . 3. An affirmative defense alleging good-faith reliance on a misleading representation and an injury or detrimental change in position resulting from that reliance." *Id.*

⁵² 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

⁵³ See John B. Campbell, *A Decade of Aukerman: An Analysis of Laches and Estoppel in the Federal Circuit*, 43 IDEA 299 (2003) (discussing *Aukerman* and how the Federal Circuit has applied it).

⁵⁴ *Aukerman*, 960 F.2d at 1026.

⁵⁵ *Id.*

⁵⁶ *Id.* at 1026-27.

⁵⁷ *Id.* at 1027.

1988.⁵⁸ In defense of its actions, Chaides raised the defenses of laches and estoppel.

1. Laches

¶23 The Federal Circuit held that where laches is established no claim for damages exists prior to the filing of the lawsuit.⁵⁹ Where a patentee delays bringing a lawsuit for six years laches is presumed, but before six years there is no presumption.⁶⁰ A presumption of laches only forces the patentee to come forward with some evidence showing he did not unreasonably delay a claim for relief. The defendant still has the burden of persuasion for the affirmative defense.⁶¹

¶24 Courts weigh all the equities to determine if laches should bar pre-filing damages.⁶² Two factors a court may consider include “(1) whether the plaintiff delayed filing suit for an unreasonable and inexcusable length of time from the time the plaintiff knew or reasonably should have known of its claim against the defendant and (2) whether the delay operated to the prejudice or injury of the defendant.”⁶³

¶25 If laches is established, the patent holder cannot receive damages prior to the filing of the lawsuit.⁶⁴ The patent holder may, however, receive an injunction against future acts of infringement and damages resulting from that infringement once the lawsuit is filed.⁶⁵ The injunction does not carry over to infringing products the defendant sold before the lawsuit was filed—those products essentially receive a free license.⁶⁶

¶26 Ultimately a court will weigh all the equities to determine whether the delay by the plaintiff was unreasonable and inexcusable. In *Aukerman*, a delay of nine years was not held to be inexcusable because the Federal Circuit determined the district court had failed to properly allocate the burden of proof.⁶⁷ In other cases, however, a delay as short as three years has been found unreasonable and inexcusable.⁶⁸

2. Estoppel

⁵⁸ *Id.*

⁵⁹ *Id.* at 1028.

⁶⁰ *Id.*

⁶¹ *Id.* See Campbell, *supra* note 53, at 311-13 for a more in depth discussion of how the presumption of laches can be overcome.

⁶² *Aukerman*, 960 F.2d at 1028.

⁶³ *Id.* at 1032 (quoting *Costello v. United States*, 356 U.S. 265, 282 (1961)).

⁶⁴ Campbell, *supra* note 53, at 306.

⁶⁵ *Id.*

⁶⁶ *Id.* at 311.

⁶⁷ *Aukerman*, 960 F.2d at 1039.

⁶⁸ Campbell, *supra* note 53, at 311.

¶27 The Federal Circuit held that the defendant in a patent suit must establish the following three factors by a preponderance of the evidence in order to succeed on an estoppel claim:⁶⁹

- a. The patentee, through misleading conduct, leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer. “Conduct” may include specific statements, action, inaction, or silence where there was an obligation to speak.
- b. The alleged infringer relies on that conduct.
- c. Due to its reliance, the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.⁷⁰

¶28 A patentee’s conduct is misleading when he indicates to infringers that he does not intend to enforce his patent. Unlike laches, where the standard is “knew or reasonably should have known,”⁷¹ a patentee must have actually been aware of the infringement for the infringer to succeed with an estoppel defense.⁷² The patentee need not intend to mislead, but he must communicate in some way that he will not enforce the patent against the infringer.⁷³ In order for an estoppel claim to succeed, the infringer must demonstrate he reasonably relied on this misleading communication; it is not enough to simply prove the communication occurred.⁷⁴

¶29 In *Aukerman*, the court held that summary judgment for Chaides was inappropriate because there was an issue of fact as to whether “Aukerman’s course of conduct reasonably gave rise to an inference in Chaides that Aukerman was not going to enforce the . . . patents against Chaides.”⁷⁵ Although the length of Aukerman’s delay in filing suit favored the inference that Aukerman was not going to enforce the patents, other evidence was not as favorable.⁷⁶ For example, Chaides might have thought Aukerman did not file suit because the amount of potential damages was less than the cost of litigation; however this was not the same as giving up the right to enforce the patents.⁷⁷

⁶⁹ *Id.* at 307.

⁷⁰ *Aukerman*, 960 F.2d at 1028.

⁷¹ *Id.* at 1032.

⁷² Campbell, *supra* note 53, at 308.

⁷³ *Id.* at 308.

⁷⁴ *Id.* at 309.

⁷⁵ *Aukerman*, 960 F.2d at 1043.

⁷⁶ *Id.*

⁷⁷ *Id.*

B. Procedural Aspects of the Open Review

¶30 The open review proposed here⁷⁸ would occur whenever a patent is sold or a patent holder is required to pay maintenance fees to retain his patent rights.⁷⁹ The party who purchases the patent would be responsible to pay for the review and the patent holder⁸⁰ would have the initial burden of coming forth with some evidence showing active use and enforcement of the patent.

¶31 If the patent holder or purchaser does not satisfy the burden of coming forth with some evidence of valid enforcement, the patent would be declared invalid and the technology would enter the public domain.⁸¹ If, however, the patent holder or purchaser satisfies the burden of production, the PTO would issue a public notice and allow third parties, for a limited time period, to submit contrary evidence which the PTO would review. If the PTO decides the evidence is sufficient to challenge the assertion of active enforcement, it would give the challengers the option to initiate an adverse proceeding between the patentee and any challengers. Only then, if the challengers decide to proceed, would the identity of the challengers be made known to the patentee.⁸²

¶32 The proceeding would be similar to a declaratory judgment action of invalidity and the challengers would have the burden of proof.⁸³ The challengers would be required to prove elements similar to those of laches and estoppel discussed above. However, instead of being elements of an affirmative defense, they would become the elements of the challenger's

⁷⁸ The section deals with procedural aspects unique to the open review proposed here (as opposed to the FTC review or the review proposed by the NRC) unless otherwise noted.

⁷⁹ A patent holder must pay a maintenance fee following the third, seventh and eleventh years after a patent has issued. A PATENT SYSTEM, *supra* note 2, at 31. If the maintenance fees are not paid, the patent expires and the technology becomes part of the public domain. *See id.*

⁸⁰ Either the patentee or the patent purchaser would pay for the review.

⁸¹ The PTO already lists all patents on its website (<http://www.uspto.gov/>). A listing of expired patents—those which were not renewed at the appropriate time—and those patents which are invalidated through the open review could also be listed.

⁸² A challenger might refrain from presenting important evidence to the PTO to prevent the patentee from knowing of a possible infringer. Anonymity until the PTO decides there is a triable issue would help to alleviate some of this concern. This is discussed further below.

⁸³ For a discussion of the current presumption of validity in patent infringement actions and an argument that the burden of proof should be relaxed from a clear and convincing standard to a preponderance standard, see Janis I, *supra* note 26.

cause of action. The two factors for laches⁸⁴ and the three factors for estoppel⁸⁵ would be taken into account; yet, the claims would retain their equitable nature and allow the judge to consider all elements of the case.

¶33 Similar to other proposed third-party reviews, the proceeding would be held in front of an administrative patent judge who would have greater legal training than most patent examiners.⁸⁶ The FTC and the National Research Council of the National Academies have written detailed descriptions of the procedural aspects of such an open review.⁸⁷

¶34 The additional cost associated with the open review could be reflected in the purchase price of the patent. Depending on the circumstances, these additional costs may reduce the purchase price of the patent, making the sale less desirable in the eyes of the patent seller. It would also make the patent buyer more cautious in determining which patents to buy. If a potential buyer knows he will have to go through an open review, the buyer would likely only purchase patents that have a high likelihood of surviving the review. Also, when a patent is up for renewal, if the patentee knows he has not been enforcing the patent, it would be unlikely he would try to renew it. This would help to reduce troll-like behavior for both patentees and patent purchasers.

¶35 The open review proposed here presents advantages over other proposed third-party reviews. Current proposals for an open review first require third parties to come forward with evidence to challenge statutory validity.⁸⁸ However, there is a significant drawback to third-party-initiated proceedings: if the challenger loses in front of the PTO, the patent holder is alerted to a potential infringer—a losing challenger is essentially “paint[ing] big targets on [himself]’ by actively opposing others’ patents.”⁸⁹ The current proposals by the FTC and the National Research Council of the National Academies provide for appellate review with the Board of Patent Appeals and Interferences and Federal Circuit,⁹⁰ but a challenger might still be wary of an adverse result on appeal and subsequent

⁸⁴ See *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1032 (Fed. Cir. 1992) (en banc).

⁸⁵ See *id.* at 1028.

⁸⁶ See *A PATENT SYSTEM*, *supra* note 2, at 97-98 (giving a detailed listing of the process involved in a third-party review); *FTC REPORT*, *supra* note 28, Chp. 5, at 17.

⁸⁷ See *A PATENT SYSTEM*, *supra* note 2, at 95-103; *FTC REPORT*, *supra* note 28, Chp. 5, at 15-23.

⁸⁸ See *A PATENT SYSTEM*, *supra* note 2, at 97.

⁸⁹ *FTC REPORT*, *supra* note 28, Chp. 5, at 18.

⁹⁰ *A PATENT SYSTEM*, *supra* note 2, at 101; *FTC REPORT*, *supra* note 28, Chp. 5, at 17.

lawsuits.⁹¹ PTO Director Q. Todd Dickinson supports such a review procedure, but says independent inventors fear competitors will use these proceedings to “impede their ability to assert their patents.”⁹² The open review proposed here would alleviate some of these concerns by allowing third parties to wait until the PTO initiates the open review.

¶36 To further alleviate concerns of third parties becoming “big targets,”⁹³ the submissions from third parties could be anonymous to protect concerns about subsequent litigation.⁹⁴ The identity of the challenger would not be made known to the patentee until the PTO determines there is an issue. Some have proposed allowing the challenger to re-litigate issues in a subsequent infringement action if the challenger is unsuccessful in front of the PTO; the challenger would only be estopped from re-litigating the issues if he decides to appeal the PTO’s decision to the Federal Circuit.⁹⁵

C. Application of an Open Review to Commerce One and the Cotton Gin

¶37 A general analysis of the open review proposed here can be made with regards to the Commerce One and cotton gin examples.⁹⁶ First addressing the Commerce One patents, JGR would pay the sale fee to the PTO and present any evidence that Commerce One had been enforcing its patents and looking for potential infringers. Currently, it does not appear any such evidence exists because companies like IBM and Microsoft have been using the technologies⁹⁷ based on communications from Commerce One. Aware of this burden, it is possible that JGR would not have paid so much for, or even purchased, the patents in the first place.

¶38 Companies using the patented technology would then present evidence concerning their usage after the PTO issued a public notice of the

⁹¹ See FTC REPORT, *supra* note 28, Chp. 5, at 16, 18.

⁹² *Id.*

⁹³ *Id.* at 18.

⁹⁴ The currently available *inter-partes* reexamination procedure is rarely used because there are several estoppel provisions that restrict challengers’ rights to relitigate issues after an adverse decision by the PTO. See A PATENT SYSTEM, *supra* note 2, at 96; see generally Janis II, *supra* note 47 (discussing the different estoppel provisions).

⁹⁵ See FTC REPORT, *supra* note 28, Chp. 5, at 17.

⁹⁶ The open review would be similar procedurally to those reviews proposed by the FTC and the National Research Council of the National Academies. See A PATENT SYSTEM, *supra* note 2, at 95-103; FTC REPORT, *supra* note 28, Chp. 5, at 15-23.

⁹⁷ See Markoff, *supra* note 9.

sale.⁹⁸ Evidence of usage would include the length of time the companies had been using the patented technology and other relevant factors concerning the inventor's intent for the patent. For example, Robert Glushko's statements relating Commerce One's intent not to restrict public use of his patents would be introduced.⁹⁹ The PTO would then make a determination whether or not to allow the infringing companies to pursue an adversarial adjudication of the patents' validity.

¶39 At trial, the challenging companies would need to prove the elements of laches and estoppel discussed in the previous section. Regarding laches, they would call employees of Commerce One, like Glushko, to testify that they knew of the infringements, but had no desire to pursue litigation because they wanted the public to use the patented technologies. This would likely be dispositive of the first factor of laches—delaying suit an inexcusable length of time after the patentee knew of infringement.¹⁰⁰ As for prejudice,¹⁰¹ the challenging companies would demonstrate the extensive use of the patented technologies and the effects that unpredicted licensing fees would have on the electronic commerce industry.¹⁰²

¶40 Commerce One employees could also testify regarding the first factor of estoppel: that Commerce One specifically intended for the public to use the patents without paying licensing fees and that they communicated this to the public.¹⁰³ If JGR were now allowed to enforce the patents, Commerce One's prior communications would have been misleading.¹⁰⁴ The last two factors, reliance and prejudice,¹⁰⁵ would be similar to the proof for the last factor of laches. Although it would be an equitable determination and the judge could place more weight on specific factors, it does not appear there is any evidence that would support a finding of validity.

¶41 Turning to the cotton gin example, it does not appear there would be any opportunity for third parties to present evidence Whitney was not attempting to enforce his patents. Any purchaser could simply point to all

⁹⁸ As in most cases where a valuable or controversial patent is sold, the public notice by the PTO would likely not be necessary because the potentially affected parties would already know of the sale.

⁹⁹ *Slind-Flor*, *supra* note 12.

¹⁰⁰ *See A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020, 1032 (Fed. Cir. 1992) (en banc).

¹⁰¹ *See id.*

¹⁰² Admittedly, IBM and Microsoft are not the most sympathetic challengers, but there are likely smaller users as well.

¹⁰³ *See Aukerman*, 960 F.2d at 1028.

¹⁰⁴ *See id.*

¹⁰⁵ *See id.*

the litigation associated with the patent. The sixty filed lawsuits would likely be sufficient evidence to prove that Whitney was vigorously trying to enforce his rights under the patent. The patent purchaser would only have to pay the fee for the sale review and he could then enforce his rights to the cotton gin.

CONCLUSION

¶42 Since more and more patents are being granted and used strategically, there is widespread concern that some patent holders might be stifling innovation through troll-like behavior. In order to limit troll-like behavior, there must be an alternative to costly litigation that could invalidate patents that are used improperly. The solution must make an effective balance between competition and patent rights so that neither commerce nor innovation suffers unduly.

¶43 The PTO should achieve this balance by making a preliminary determination regarding patent enforcement practices whenever a patent is renewed or sold. In cases where the PTO determines there is not sufficient evidence to show consistent enforcement, third parties would then present evidence and challenge the patent's validity in an open review procedure. If the challengers are successful in proving the elements of laches and estoppel, then the patent would be invalidated.

¶44 Requiring an open review would reduce instances of patent troll-like behavior without placing too much of a burden on holders of legitimate patents. Troll-like behavior would decrease because patents would lose some of their strength as a strategic weapon. At the same time, valid patents would become more valuable, either to the patentee or to a legitimate purchaser. Innovation would increase, and technology that should belong to the public would not be available for exploitation by patent trolls.