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PERSPECTIVE

Submarine patents and the scope of the doctrine of “Prosecution Laches”

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Is it possible to follow all applicable statutory requirements and formal written rules of the U.S. Patent and Trademark Office when prosecuting a patent application, obtain an issued patent, and then – nevertheless – have that patent declared unenforceable for reasons other than patent ineligibility or lack of novelty?

In a recent decision, Judge Gilstrap of the Eastern District in Texas confirmed that the answer to this question is “yes.” See *Personalized Media Comm’ns, LLC v. Apple, Inc.*, Case No. 2:15-cv-01366-JRG, 2021 WL 3471180 (E.D. Tex. Aug. 5, 2021) (hereinafter, “PMC”).

At issue in PMC was the relatively obscure doctrine of “prosecution laches,” an equitable affirmative defense available both to the PTO (to justify denial of patent issuance) and accused infringers in litigation. The Federal Circuit expounded upon the doctrine earlier this year, explaining that it requires applicants to “not only comply with the statutory requirements and PTO regulations but [] also prosecute its applications in an equitable way that avoids unreasonable, unexplained delay that prejudices others.” *Hyatt v. Hirshfeld*, 998 F.3d 1347, 1366 (Fed. Cir. 2021). A finding of prosecution laches will “render a patent unenforceable.”

As Judge Gilstrap noted in PMC, the facts and patents at issue in that case and Hyatt were “remarkably similar.” Both cases involved patent applications filed en masse in the days immediately prior to the “GATT Deadline:” June 8, 1995. That was the date on

which the term of a utility patent changed from 17 years from the date of issuance, to the present regime of 20 years from the effective filing date. PMC filed 328 applications during the weeks immediately preceding the GATT Deadline, each claiming priority to applications that had originally been filed in 1981 or 1987. Inventor Gil Hyatt (the plaintiff in Hyatt) had filed 381 applications during that same period, all of which claimed priority back to applications that had originally been filed as far back as the 1970’s. These applications were part of the approximately 50,000 patent applications that had been filed in the days leading up to the GATT Deadline – a phenomenon that is referred to as the “GATT Bubble.” Today, there are only two non-Hyatt GATT Bubble cases still pending before the PTO.

These pre-GATT patents are colloquially known as “submarine patents” in reference to the prosecution and monetization strategy that their owners generally employ – keeping the patents submerged for years, only to surface and attack accused infringers after the market has developed. As PMC witnesses explained (at trial or through documentary evidence), the “submarine” strategy has two elements. First, the applicant uses a variety of (ostensibly permissible) prosecution tactics to keep a pre-GATT application pending “in the patent office for an extended period of time” so that the term of the patent would extend “far beyond the statutory term of seventeen years.” Second, the applicant endeavors to “keep [the] patent portfolio hidden until after the claimed subject matter became widely adopted in the industry, and only then – after

infringement was engrained and widespread – engage in licensing or enforcement efforts.” For example, the patent that PMC asserted against Apple in the E.D. Tex. issued in 2012, but claimed priority to an application filed in 1987. As such, if it had been found to be enforceable, that patent would have enjoyed a “term” of 42 years from the effective filing date.

Both elements of the “submarine” strategy combined to ultimately prove fatal for PMC when considered in the light of the prosecution laches standard articulated in Hyatt. Judge Gilstrap found that while there are “no firm guidelines for when laches is triggered,” PMC’s campaign of obfuscation before the PTO – which included “bulk filing”

its portfolio of “atypically long and complex” applications immediately before the GATT Deadline, ballooning its number of pending claims over the following years to confuse and slow down prosecution efforts, filing thousands of prior art references (some of which were “abjectly irrelevant”), and general pursuit of a “shoot first, aim later” prosecution strategy – constituted clear and convincing evidence of “an unreasonable and unexplained delay” that satisfied the standard, regardless of any failures or mistakes that the PTO may have made when grappling with PMC’s voluminous portfolio.

These were extreme facts, indeed, tied to the particular circumstances and opportunity pre-

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sented by GATT Bubble. There is an element of the rulings in Hyatt and PMC, however, that transcends the facts of those cases and raises questions as to the applicability of the prosecution laches defense to render non-GATT Bubble patents unenforceable. More specifically, in both cases, the courts made it clear that the key element of the prosecution laches inquiry is a more general focus on ferreting out and punishing “clear abuse of the patent system,” even if the conduct in question does “not literally violate regulations or statutory provisions.” Hyatt, 998 F.3d at 1369; see also PMC, 2021 WL 3471180 at *19 (“The fact that PMC’s initial prosecution strategy was lawful under pre-GATT rules, or that PMC conducted itself within the technical strictures of patent law and PTO

regulations, is of no matter.”).

That general principle should give patent prosecutors and litigation counsel some pause in the wake of the Hyatt and PMC decisions. Like the Sword of Damocles, prosecution laches now hangs over the heads of patentees who employ (or have employed) prosecution strategies that hinge in some way on the passage of time. For sure, there is limited upside to delay-based prosecution strategies post-GATT; time spent prosecuting a patent application before the PTO prior to issuance generally counts against the 20-year term of any resulting patent – thus limiting the potential licensing revenue that could be harvested through post-grant enforcement activities. However, it is still possible to contemplate a scenario in which an applicant files

successive continuations with incremental adjustments to allowed claims and engages in PMC-like delay tactics to keep a patent family alive before the PTO, stealthily awaiting introduction of an infringing product that achieves success in the marketplace, or widespread adoption of what is believed to be a generally-known technology, before crafting a new claim set more precisely tailored to the allegedly infringing products and subsequently commencing an belated enforcement campaign upon the issuance of new patents. Given that GATT was, in part, intended to statutorily close the loophole that allowed submarine patents, one would think that as long as patent owners follow the post-GATT prosecution rules in good faith, their patents should be safe from a defense of prosecution laches.

Of course, there is nothing wrong with drafting claim sets intended to cover a product that has been released into the marketplace, so long as such claims are adequately supported by the specification in the original application. See, e.g., *Kingsdown Medical Consultants v. Hollister*, 863 F.2d 867, 875 (Fed. Cir. 1988) (holding that “there is nothing improper, illegal or inequitable . . . to amend or insert claims intended to cover a competitor’s product”). However, to the extent that there is an unnatural or undue delay in prosecuting a patent family, and evidence can be uncovered through discovery that such delay was nefarious or in bad faith, there may be an opening for extension of the doctrine of prosecution laches beyond the extraordinary facts of the Hyatt and PMC cases. ■