

UNITED STATES OF AMERICA  
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Robert Pitofsky, Chairman  
Sheila F. Anthony  
Mozelle W. Thompson  
Orson Swindle  
Thomas B. Leary

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In the Matter of )  
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) Docket No. 9286  
VISX, Incorporated, )  
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a Corporation )  
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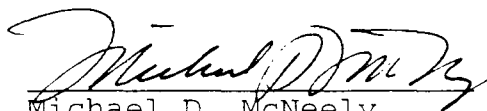
COMPLAINT COUNSEL'S MOTION TO DISMISS THE COMPLAINT

For the reasons set forth in the accompanying Memorandum, Complaint Counsel respectfully move that the Commission (1) dismiss the Complaint in this matter upon the issuance by the U.S. Patent and Trademark Office of a Certificate of Reexamination of U.S. Patent No. 5,108,388 containing claims substantially identical to those set out in RX 16(3, and

(2) expressly state that the Commission does not adopt the Initial Decision in this matter.

DATE: December 1, 1999

Respectfully submitted,



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Counsel Supporting the Complaint



IT IS ORDERED THAT:

The record is reopened; and

RX 1602 and RX 1603 are admitted into evidence; and

Oral argument in this matter is adjourned sine die; and

Upon issuance by the U.S. Patent & Trademark Office of a Certificate of Reexamination of U.S. Patent No. 5,108,388 containing claims substantially identically to those set out in RX 1603, the Complaint shall be dismissed; and

The Initial Decision in this matter is not adopted by the Commission.

By the Commission.

\_\_\_\_\_  
Donald S. Clark  
Secretary

ISSUED:

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BEFORE THE FEDERAL TRADE COMMISSION

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COMPLAINT COUNSEL'S MEMORANDUM IN SUPPORT OF MOTION  
TO DISMISS THE COMPLAINT AND IN RESPONSE TO VISX'S  
MOTION TO REOPEN THE RECORD TO RECEIVE NEW EVIDENCE

I. INTRODUCTION

Recent and significant actions in the '388 patent reexamination proceeding before the PTO change the contours of this case. These actions indicate that, in all likelihood, the result of the reexamination will be (1) that none of the five original claims of the patent will survive intact, thus reconfirming the correctness of Complaint Counsel's legal arguments in this appeal, but (2) that new or amended claims will issue that will render relief in this case inappropriate. In light of these new events, Complaint Counsel respectfully request that the Commission take the following actions: (1) Grant Complaint Counsel's Motion to Dismiss Count III of the Complaint if and when the PTO issues a Certificate of Reexamination that

includes the '388 claims identified in VISX's most recent submission to the PTO (RX 1603)<sup>1</sup>; (2) Expressly decline to adopt the Initial Decision in conjunction with the dismissal of Count III; (3) Grant VISX's Motion to Reopen the Record to Receive New Evidence to the extent of accepting in evidence RX 1602 and RX 1603, and deny the Motion in all other respects; and (4) Adjourn any oral argument of this appeal sine die, to be rescheduled only if the PTO does not issue a Certificate of Reexamination that includes the new and amended '388 claims.

## II. STATEMENT OF FACTS

Recent events at the PTO indicate that, in all likelihood, an amended version of the '388 patent will emerge from the reexamination proceeding. In April 1999, Examiner Shay rejected all five of the '388 patent's original claims as obvious in light of previously undisclosed prior art references (Blum, Keates and Beckman). CX 539. In July, VISX submitted 80 new claims for addition to the '388 patent. RX 1603. On November 17, Examiner Shay conducted an interview with VISX's representatives at which the original and newly proposed claims and certain prior art references, including Blum and Keates, were discussed. RX 1602. Examiner Shay's interview summary states that most of the new claims are "allowable as filed" or "would be allowable" if they

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<sup>1</sup> The citations to "RX \_\_\_" refer to the RX designations VISX has given to the '388 reexamination evidence it seeks to admit into the record. See Appendix A to VISX's Motion to Reopen the Record to Receive New Evidence, dated November 23, 1999.

were amended in the manner prescribed therein. Id. On November 18, VISX canceled some claims and amended others in the manner that Examiner Shay had indicated would be acceptable. RX 1603. This amendment leaves VISX with 65 claims under reexamination, and each of these claims is in a form that Examiner Shay has indicated would be patentable.

It is likely, but not certain, that these events will result in the PTO issuing a Certificate of Reexamination embodying the 65 claims, each of which VISX will be able to assert against alleged infringers.<sup>2</sup>

The patent that emerges from the reexamination proceeding will be effective until April of 2009 (the date the original five claims would have expired). The '388 patent's original five claims claimed a surgical technique for cutting the cornea with an excimer laser. CX 327. Our analysis of the new versions of

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<sup>2</sup> Several steps must still be taken before the PTO issues a Certificate of Reexamination finally approving the amended claims. MPEP § 2287-88. It is Complaint Counsel's understanding that those steps could take several months. During that time, it is possible, but not likely, that Examiner Shay could change his position and reject or require further amendment of some or all of the claims. Cf. 37 C.F.R. § 1.313 (application may be withdrawn from issue after "Notice of Allowance" in an original examination). The Examiner might significantly narrow some or all claims or conclude that they are unpatentable. Cf. id. § 1.313(b)(3) (permitting withdrawal from issue because of "unpatentability of one or more claims"). Such a change might mean that dismissal of this matter was not called for. Complaint Counsel raise this concededly unlikely possibility because, in view of the dispositive action we request, we believe that the Commission should await the certainty of a Certificate of Reexamination.

original claims 1-5 indicates that they are sufficiently broad to cover all commercial uses of the excimer laser to perform laser vision correction as that procedure is performed today. For example, Claim 1 of the '388 patent was amended as follows:

A method for producing a surgical excision of controlled depth and shape in a cornea by ablative decomposition of corneal tissue, said method comprising the steps of:

(a) generating a laser beam in the ultraviolet region of the energy spectrum and at a wavelength selected to produce ablative photochemical decomposition of corneal tissue without thermal damage to the corneal tissue; and

(b) directing said radiation in a controlled manner onto said corneal tissue to induce ablative photochemical decomposition thereof in a volumetric removal of said corneal tissue without thermal heating to create a surgical excision of controlled depth and shape with depth penetration into the stroma; and,

(c) wherein the ablation overlaps the optically used area of the cornea.<sup>3</sup>

The only substantive difference between new Claim 1 and the original is the limitation in section (c). The new limitation does not appear to be commercially significant. Because laser vision correction always involves an ablation that "overlaps the

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<sup>3</sup> RX 1603 at 1 (deletions shown by strikeout; additions by underline). Claims 2 to 5 were also amended in the manner shown in text. Id. at 1-2. The original five claims had been rejected as obvious, and after VISX's November 17 interview with Examiner Shay, their "allowability over art of record" remained "unresolved." RX 1602. Amended as shown in the text, however, Claims 1-5 replicate other claims (41 to 45) that Examiner Shay had indicated would be allowable. VISX canceled those other claims. The 60 other claims remaining in the reexamination consist of 12 sets of the original five claims amended in other ways. RX 1603 at 3-31.



optically used area of the cornea," third parties will not be any more able to invent around this new claim or otherwise avoid infringing it than they were the old claim. Thus, the new and amended claims create or threaten monopoly to the same extent as the five original '388 claims.

III. THE RECORD SHOULD BE REOPENED TO ADMIT  
ONLY RX 1602 AND RX 1603 AND VISX'S REQUEST  
FOR A SPECIAL BRIEFING SCHEDULE SHOULD BE DENIED

Complaint Counsel agree with VISX that the Commission should reopen the record, and agree that the Commission should admit as evidence RX 1602 and RX 1603 (the November 17, 1999, Interview Summary Report and VISX's response, which consists largely of the agreed-upon claim amendments). These two documents are the basis for Complaint Counsel's Motion to Dismiss.<sup>4</sup> The other exhibits that VISX offers, which constitute essentially all the substantive submissions and actions in the reexamination that are not already in evidence, are not necessary to evaluate the impact of the recent developments. Complaint Counsel therefore oppose their inclusion in this already large and complex record. Similarly, in light of Complaint Counsel's Motion to Dismiss, Complaint Counsel do not believe that there is any need for a special round of briefing as suggested by VISX. Complaint Counsel respectfully suggest that VISX's response to Complaint Counsel's

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<sup>4</sup> When it issues, the Commission may wish to make of record the PTO's Certificate of Reexamination. Complaint Counsel will monitor further proceedings in the reexamination and make a motion to that effect when the Certificate issues.

instant motion should suffice to resolve the issues presented by the current situation at the PTO.

IV. THE NEW PATENT WILL MOOT THE CORE RELIEF REQUESTED BY COMPLAINT COUNSEL

A. An Order of Nonenforcement Against the New '388 Patent Is Unnecessary to Remedy the Effects of the Violation

As stated in the Notice of Contemplated Relief, Complaint Counsel sought an order that would prevent VISX from enforcing the '388 and two related patents. The rationale with regard to the '388 patent was that it was procured by fraudulent and inequitable conduct and would not have issued but for VISX's withholding of material prior art from the patent examiner during prosecution of the patent application. Thus, enjoining VISX from enforcing the patent was the appropriate method to open the markets affected by the patent to competition.

Complaint Counsel sought this relief because the purpose of relief in antitrust cases is "so far as practicable, [to] cure the ill effects of the illegal conduct, and assure the public freedom from its continuance." United States v. United Gypsum Co., 340 U.S. 76, 88 (1950); accord, Int'l Ass'n of Conference Interpreters, 123 F.T.C. 465, 659 (1997) (citing Gypsum).

The Commission, like other antitrust tribunals, has broad remedial power. But the purpose of antitrust relief is also its limiting principle. Injunctive relief, as Gypsum makes clear, is intended to re-create the world as it would have been if there had been no violation. The recent actions at the PTO, however,

are likely to result in a new patent that will give VISX monopoly power in the technology market and market power in the apparatus market to the same extent as the old one. Thus, an order forbidding enforcement of the old claims would be moot, and such an order directed at the new patent would go beyond what is needed to recreate the situation that would have existed if there had been no violation.<sup>5</sup>

B. Fencing-in Relief Is Not Required in this Case

The elimination of the need for the core relief requested by Complaint Counsel does not by itself decide whether other relief may be required in this matter to prevent the recurrence of a violation. Such other relief could consist, for example, of an order requiring that in all future dealings with the PTO, VISX submit all material prior art to the examiner and do so by way of an Information Disclosure Statement. The order could also require that VISX maintain written records subject to inspection by the

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<sup>5</sup> The Commission's ability to order that a presumptively valid patent not be enforced is unsettled. We are unaware of an antitrust court that has ordered that an antitrust defendant not enforce a valid patent. See, e.g., Hartford-Empire v. United States, 323 U.S. 386, 415 (1945) (reversing a decree that required patents not shown to be invalid to be licensed on a royalty-free basis, observing that "it is difficult to say that, however much in the past such defendant has abused the rights thereby conferred, it must dedicate them to the public."). A close analogy is cases decided under the essential facilities doctrine. Where a monopolist owner of an essential facility is found liable under section 2 of the Sherman Act, the remedy is an order requiring access on reasonable terms, not free access. E.g., United States v. Terminal Railroad Ass'n, 224 U.S. 383 (1912).

Commission to support its decision that a particular reference is not "material" and need not be submitted.

Complaint Counsel do not believe that such relief is required in this case. Such an order would largely reiterate a duty that VISX already has under the patent laws. VISX's awareness of that duty, moreover, can only have been heightened by this action, other challenges to its conduct before the PTO, and the presumed vigilance of its competitors and customers. An order requiring VISX to eschew inequitable conduct, moreover, would enmesh the Commission for the term of an order in the application of difficult patent law doctrines to VISX's conduct.

Because the core relief is mooted, and fencing-in relief is not required, Complaint Counsel have concluded that, if final PTO action occurs as predicted, the Complaint should be dismissed.

V. THE COMMISSION SHOULD EXPRESSLY DECLINE TO ADOPT THE ID

Complaint Counsel also move that in any dismissal the Commission specifically decline to adopt the ID. The ID is permeated with errors, as demonstrated in Complaint Counsel's Brief on Appeal and Reply Brief, and it should be made clear that the Commission has not adopted it. In significant respects, moreover, the PTO's expected action on the reexamination confirms Complaint Counsel's position on the issues.

The need for this treatment is particularly compelling when it comes to the ID's erroneous treatment of the question of disclosure. The ID's notion that VISX can be deemed to have

"disclosed" the four references because they are cited in proceedings other than the '388 examination embodies a pernicious error of law that is at odds with all jurisprudence on the issue. As demonstrated in Complaint Counsel's briefs, all relevant decisions, even those directly relied on by VISX, make clear that if the written record of the ex parte patent examination does not expressly identify a reference as having been disclosed, the applicant has not "disclosed" the reference in a manner that satisfies the duty of candor. See Complaint Counsel's Brief on Appeal ("CCB") Section II; Complaint Counsel's Reply Brief on Appeal ("CCRB") Section I.

Anything less than an explicit decision not to adopt an ID reflecting a contrary interpretation of the law could embolden others to manufacture "disclosures" that never occurred by scouring the PTO's files for citations of wrongfully concealed references. For example, VISX's argument of "disclosure in the co-pending applications," adopted by the ALJ, is refuted by the principal cases cited by each party involving co-pending applications. In each case, the court found or presumed that prior art not in the file wrapper had been withheld, and went on to assess whether such nondisclosure constituted inequitable conduct by examining, among other things, events in those

prosecutions as they reflected on the materiality of the undisclosed prior art or the party's intent.<sup>6</sup>

The current state of the reexamination, moreover, bolsters Complaint Counsel's position that the references that VISX chose not to disclose are highly material. Complaint Counsel demonstrated that the examiner's initial rejection of '388 claims in reliance on Blum and Keates by itself establishes the materiality of those references, as long as the rejection was reasonable. CCB Section III.A; CCRB Section II. VISX's decision to amend its claims rather than challenge those rejections, and the prospect that the rejected claims will not survive in the final action by the PTO, close the door on any argument that those references are anything but highly material.<sup>7</sup>

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<sup>6</sup> J.P. Stevens & Co. v. Lex Tex, Ltd., 747 F.2d 1553, 1562-67 (Fed. Cir. 1984), cert. denied, 474 U.S. 822 (1985) (prior art was withheld in prosecution of patent in suit although cited in co-pending application); Kimberly-Clark Corp. v. Johnson & Johnson, Inc., 745 F.2d 1437, 1454-56 (Fed. Cir. 1984) (deeming prior art withheld since it was not in the file wrapper).

<sup>7</sup> Unable to resist a mischaracterization even in the best of circumstances, VISX argues that recent events in the reexamination show that "neither Keates nor Blum bars issuance of the claims of the '388 patent." VISX Memorandum in Support of Motion to Reopen the Record to Receive New Evidence at 2. As things currently stand, Keates and Blum do not bar issuance of the amended '388 claims, but Keates and Blum led to a rejection of the original claims, a rejection that will survive the completion of the reexamination proceeding.

VI. THE COMMISSION SHOULD NOT ADDRESS VISX'S NOVEL THEORY OF HOW THE PTO'S EXPECTED ACTION WOULD AFFECT LIABILITY

According to VISX, these recent events mean that "but for" causation has not been shown, because the likely result of the reexamination will be a patent with as great a tendency to confer market power as the original '388. In this case, Complaint Counsel concede that this result will mean that the requested relief is not necessary. But in dismissing the Complaint, there is no need to reach VISX's version of the "but for" test for antitrust liability. Such an interpretation has never been applied by the courts, and there are good reasons not to endorse it here.<sup>8</sup>

The VISX approach would first saddle litigants and courts with the task of analyzing the reexamined patent's validity; whether that inquiry would be limited to prior art or would subsume all patentability issues, including enablement and inventorship, would need to be determined. Second, courts would have to determine whether the new version of the patent had the same ability to confer market power as the old. Although in this case that inquiry is straightforward, in many cases it would

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<sup>8</sup> Brunswick Corp. v. Riegel Textile Corp., 752 F.2d 261 (7th Cir. 1984), cert. denied, 472 U.S. 1018 (1985); American Cyanamid, 72 F.T.C. 623 (1967), aff'd sub nom., Charles Pfizer & Co. v. FTC, 401 F.2d 574 (6th Cir. 1968), cert. denied, 394 U.S. 920 (1969) and other cases applying this requirement have asked only whether the fraud resulted in the issuance of the patent in question, not whether some other dominant patent might have issued but for the fraud.

necessitate nothing less than the judicial claim construction required by Markman,<sup>9</sup> followed by an infringement trial, perhaps coupled with a new market analysis.

On a strategic level, VISX's proposed approach to the legal analysis would enable a firm that has procured a patent by fraud to escape the antitrust consequences of that action (including, in private litigation, damages for enforcing a patent that would never have issued) with a two step strategy: First, take another run at the PTO to establish in another ex parte proceeding that the patentee is entitled to a narrower patent; second, attempt to prove that reexamined patent would have caused as much competitive harm as the one procured by fraud.

VISX's approach thus amounts to an unprecedented prescription for prolonging and complicating already difficult antitrust proceedings and for allowing respondents in Walker Process<sup>10</sup> and American Cyanamid cases to escape the antitrust consequences of their conduct. This approach is bad law and bad policy, and the circumstances of this case do not require the Commission to announce a rule going to the substantive effect on a conclusion of violation, if any, of post-trial events at the PTO.

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<sup>9</sup> Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996).

<sup>10</sup> Walker Process Equipment, Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965).



## VII. CONCLUSION

With regard to VISX's Motion, Complaint Counsel agree with VISX that the Commission should reopen the record, but only to the extent of admitting into evidence RX 1602, RX 1603, and the PTO's Certificate of Reexamination when it issues. With regard to Complaint Counsel's Motion to Dismiss, the relief Complaint Counsel seek will be mooted if the PTO issues a Certificate of Reexamination approving the claims as VISX has amended them on reexamination. Complaint Counsel believe that when that occurs the proper course will be to dismiss the Complaint. Because it is possible, although not likely, that the Examiner's position may change, Complaint Counsel move that the Commission defer further proceedings in this matter and only dismiss the Complaint upon a

report from Complaint Counsel that a Certificate of Reexamination has issued with claims having the scope currently contemplated. In any dismissal of this matter, Complaint Counsel request that the Commission expressly indicate that it is not adopting the Initial Decision. Finally, Complaint Counsel anticipate that oral argument will not be necessary.

DATE: December 1, 1999

Respectfully submitted,



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Counsel Supporting the Complaint


CERTIFICATE OF SERVICE

I hereby certify that on December 1, 1999, I caused copies of COMPLAINT COUNSEL'S MOTION TO DISMISS THE COMPLAINT, COMPLAINT COUNSEL'S MEMORANDUM IN SUPPORT OF MOTION TO DISMISS THE COMPLAINT AND IN RESPONSE TO VISX'S MOTION TO REOPEN THE RECORD TO RECEIVE NEW EVIDENCE, and proposed ORDER to be served on the counsel identified below in the manner indicated:

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