

# CONSIDERATIONS FOR MODIFYING INTER-PARTES REEXAM AND IMPLEMENTING OTHER POST-GRANT REVIEW

SUSAN PERNG PAN\*

## I. INTRODUCTION

Compared to *ex parte* reexamination proceedings, which first came into existence in 1980, *inter partes* reexamination is relatively new. By introducing *inter partes* reexamination proceedings in the 1999 American Inventors Protection Act (AIPA), legislators sought to ensure the quality of issued patents by offering a third party requester the ability to participate in the reexamination of an issued patent, without incurring the risk, time and financial costs of a full-blown invalidity proceeding before a U.S. District Court.<sup>1</sup>

Since its inception, the *inter partes* reexamination statute has been revised in order to make the proceeding a more attractive option to challenge the patentability of claims in an issued patent. In particular, in 2002, the reexamination statutes were revised to provide the third party requester with the right to appeal an adverse decision of the Board of Patent Appeals to the U.S. Court of Appeals for the Federal Circuit and to be a party to any appeal taken by the patent owner to the Federal Circuit.<sup>2</sup> Despite this change, *inter partes* reexaminations remain largely under-utilized in comparison to its *ex*

---

\* The author is a partner in the Washington, D.C. office of SUGHRUE MION, PLLC. The views expressed herein are solely those of the author.

<sup>1</sup> See 37 C.F.R. § 1.907 (2004) (*Inter partes* reexaminations only apply to original applications filed on or after November 29, 1999, the effective date of AIPA.).

<sup>2</sup> 35 U.S.C. § 315 (2000). Among other changes was the statutory overruling of *In re Portola Packaging*, 110 F.3d 786, 790 (Fed. Cir. 1997) in 35 U.S.C. § 312, which limited reexaminations to prior art not previously cited by the U.S. Patent Office during examination of the original letters patent. *21st Cent. Dept. of Just. Appropriations Act*, Pub. L. No. 107-273, § 13105(a), 116 Stat. 1758, 1900 (2002).

*parte* counterpart.<sup>3</sup> Nonetheless, the initial considerations of ensuring the quality of patents and allowing third party participation at a more moderate cost remain important ones. As the number of issued patents continues to increase, and businesses and organizations rely more heavily on patent rights to determine basic operations of their organizations, such as their ability to control market entry or deciding whether licenses or alliances need to be negotiated, the ability of a patent to withstand a legal or administrative challenge becomes even more crucial.

At about the same time the 2002 reexamination statute revisions were being considered by Congress, an alternative post-grant issuance proceeding was also introduced in the U.S. House of Representatives.<sup>4</sup> That bill for a post-grant proceeding, styled as a patent “opposition,” did not progress out of the House. Based on the failed bill's wording, Congress intended post-grant opposition to complement the current *inter partes* re-examination system, rather than supplant it.<sup>5</sup> This appears to be the correct approach. Despite the problems that have become apparent with the *inter partes* statutes, rather than jettisoning *inter partes* reexaminations completely, a more desirable course is to further amend the existing framework for these proceedings to make the *inter partes* reexamination option a more viable one. Even in the event a U.S. patent opposition proceeding does eventually come to fruition, each proceeding could be tailored to further the common goal of efficient policing of patent quality in a complementary manner.

## II. POLICY CONCERNS

To understand how *inter partes* re-examination (or post-grant opposition) may develop in the future it is instructive to revisit its past. Patent legislators formally contemplated the formation of an *inter partes* reexamination proceeding in the mid-1990s.<sup>6</sup> In 1995, the 104<sup>th</sup> Congress introduced H.R. 1732, the precursor to the AIPA.<sup>7</sup> Though H.R. 1732 did not mature into law, many judicial and economic changes from the mid 1990's through the early 2000's amplified policy concerns underlying the

---

<sup>3</sup> Approximately 220 *ex parte* reexaminations have been instituted by third party requesters each year since 1992. In comparison, fewer than 30 *inter partes* reexaminations have been ordered in total. 65 Fed. Reg. 76756, 76771 (Dec. 7, 2000).

<sup>4</sup> H.R. 1333, 107th Cong. (Apr. 3, 2001) (as introduced).

<sup>5</sup> See *id.* at § 2(322)(b)(1)-(3).

<sup>6</sup> H.R. 1732, 104th Cong. (May 25, 1995) (as introduced).

<sup>7</sup> *Id.*

introduction of *inter partes* reexaminations. Among these changes were increased patent filings and patent issuances,<sup>8</sup> Federal Circuit decisions confirming that computer software inventions and business methods<sup>9</sup> were properly subject matter protectible by the patent statutes, the dot.com boom of small start-ups fueled by venture capital investments followed by a resounding bust,<sup>10</sup> and widespread litigation in all areas.<sup>11</sup>

The confirmation of the patentability of business methods and software caused a great stir as the Patent Office examining groups in these areas were bombarded with an influx of new applications that overwhelmed the patent examination corps.<sup>12</sup> The problem was compounded by the lack of a formal prior art database for computer software and business method subject areas. The lack of a formal prior art database exacerbated the possibility that the best prior art was not being considered during examination of these patent applications. Against this social and legal framework, House legislators added *inter partes* reexamination to the patent system as one mechanism to maintain order:

Considering both the patent holder and third party, reexamination is a seldom used process in proportion to the number of patent applications filed each year. Yet, when Congress originally enacted the reexamination statute it had an important public purpose in mind: to restore confidence in the validity of patents issued by the PTO.

Specifically, three principal benefits were noted: 1. Resolve patent validity disputes more quickly and less expensively than litigation; 2. Permit courts to defer issues of patent validity to the expertise of the PTO; and 3. Reinforce investor confidence in certainty of patents.

---

<sup>8</sup> In the period from 1997-2001, filings and issuances of U.S. patents each increased roughly 50%. U.S. Pat. & Trademark Off., *Performance and Accountability Rep. Fiscal Year 2001*, 106-07 (2001).

<sup>9</sup> See *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998).

<sup>10</sup> *A Statistical Summary of the Dot Com Shakeout*, <http://www.businessplanarchive.org/whatwecanlearn/statsummary.html> (accessed Nov. 2, 2004).

<sup>11</sup> See e.g. [www.overlawyered.com/archives/02/jan2.html](http://www.overlawyered.com/archives/02/jan2.html) (accessed Nov. 2, 2004) (describing private litigation on topics including web defamation, First Amendment rights in gun sales, 9/11 fund disbursements); [www.overlawyered.com/archives/02/jan1.html](http://www.overlawyered.com/archives/02/jan1.html) (accessed Nov. 2, 2004) (describing tobacco litigation; HMO litigation; product liability; obesity-causation litigation); [www.patentstats.org/2002/html](http://www.patentstats.org/2002/html) (accessed Apr. 22, 2004) (listing outcomes of patent disputes).

<sup>12</sup> In the years from 1996-2000, the Technology Group handling electronic business method patents experienced a workload increase from approximately 200 to 1400 applications each quarter. Allen MacDonald, CLE Presentation, *Examination Issues in Electronic Commerce*, (Spring 2000 AIPLA Meeting, Pittsburgh, Pa., May 17-19, 2000).

Reexamination was enacted as an important step to permitting the PTO to better serve the public interest. As the Supreme Court stated in *Graham v. Deere*, “it must be remembered that the primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is – for all practical purposes – to debilitate the patent system.”

.....

This [reexamination] title was an attempt to provide an alternative to existing law and to further encourage potential litigants to use the PTO as a[n] avenue to resolve patentability issues without expanding the process into one resembling courtroom proceedings.

.....

[T]his bill does not create . . . additional ways to invalidate patents. In fact, the bill seeks to provide even further ways to reduce the incentive for litigation in the courts and to protect against the needless wasting of dollars independent inventors don’t have.<sup>13</sup>

As an additional matter, Congress was cognizant of the interplay between a robust patent system and anti-trust laws, especially in the context of Internet-related patents, which encompass aspects of both software and business methods.<sup>14</sup> More recently, the Federal Trade Commission issued recommendations for patent reforms to balance the interests and interplay of the patent and anti-trust systems.<sup>15</sup> As in the Congressional debates, the Federal Trade Commission cites the issuance of questionable patents as a problem potentially having wide-ranging impact.<sup>16</sup>

### III. EXISTING INTER PARTES FRAMEWORK ADDRESSES MANY POLICY CONCERNS

Despite uncertainty surrounding *inter partes* reexamination (discussed *infra*) the present *inter partes* reexamination has many familiar, and thus tested, elements that should naturally lend itself to use by patent holders and patent practitioners.

As an introduction, for examining the similarities between *ex parte* examination of the original letters patent and *inter partes* reexamination, 35 U.S.C. §§ 311-318 comprise the statutory authority for optional *inter partes*

---

<sup>13</sup> 145 Cong. Rec. H6929, H6944 (daily ed. Aug. 3, 1999) (statement of Rep. Dana Rohrabacher).

<sup>14</sup> See 147 Cong. Rec. S1376 (daily ed. Feb. 14, 2001) (statement of Sen. Orrin Hatch).

<sup>15</sup> Fed. Trade Commn., *Executive Summary: To Promote Innovation: The Proper Balance of Competition and Patent Law Policy*, <http://www.ftc.gov/os/2003/10/innovationrptsummary.pdf> (Oct. 2003) [hereinafter *Executive Summary*].

<sup>16</sup> *Id.* at 5, n.16.

reexamination; 37 C.F.R. §§ 1.902 *et seq.* comprise the Patent Office Rules governing implementation of the *inter partes* statutes. The relevant provisions for *ex parte* examination are described by 35 U.S.C. §§ 131-134 and 37 C.F.R. § 1.101 *et seq.* The reexamination commences with the filing of a written request, identifying the patent to be reexamined and patents or printed publications which provide a substantial new question of patentability.<sup>17</sup> Also required is a certification that the requester is not estopped from filing the reexamination request pursuant to 37 C.F.R. § 1.907 and a reexamination fee.<sup>18</sup> Within three months of receipt of the reexamination request and fee, the examiner considers whether the identified publications raise a substantial new question of patentability.<sup>19</sup> Following this determination, the Patent Office issues the order for reexamination, accompanied by the first office action on the merits.<sup>20</sup> The patent owner may file a response within 2 months of the office action.<sup>21</sup> Each time the patent owner files a response to an Office Action, the third party requester may once file written comments within 30 days from date of service of the patent owner's response.<sup>22</sup> The cycle of office actions, patent owner responses, and third party submission of comments continue until the Examiner issues an office action closing prosecution.<sup>23</sup> The patent owner may once submit comments limited to the issues raised in the action closing prosecution, which can include proposed amendments pursuant to 37 C.F.R. § 1.116.<sup>24</sup> In response, the third party requester may once file written comments within 30 days of the patent owner's service of filed papers.<sup>25</sup> Subsequently, the Examiner considers the patent owner's response and any third party comments and will either reopen prosecution on the merits, conclude matters of patentability, or issue a notice of the parties' right to appeal.<sup>26</sup>

---

<sup>17</sup> 37 C.F.R. at § 1.915(b)(1)-(2).

<sup>18</sup> *Id.* at § 1.915(b)(7). The reexamination fee is \$8800. *Id.* at § 1.20(c)(2).

<sup>19</sup> *Id.* at § 1.923.

<sup>20</sup> *Id.* at §§ 1.931, 1.935.

<sup>21</sup> *Id.* at § 1.945. The Rules only require a minimum of 30 days. The Patent Office, however, intends to apply a two month period for response. 65 Fed. Reg. at 76766.

<sup>22</sup> 37 C.F.R. at § 1.947.

<sup>23</sup> *Id.* at § 1.949. The action is analogous to a final rejection in *ex parte* prosecution. Importantly, the action does not raise the parties' right to appeal.

<sup>24</sup> *Id.* at § 1.951(a).

<sup>25</sup> *Id.* at § 1.951(b).

<sup>26</sup> *Id.* at § 1.953(a).

A reexamination proceeding substantively follows the original examination procedure once a reexamination is ordered by the Patent Office. The U.S. Patent Office declined to import the case law regarding claim construction, claim scope, burden of establishing facts, and burden of persuasion, and their attendant standards into the formal rules.<sup>27</sup> It appears, however, that many of the cases applicable in obtaining the original letters patent would also apply to the *inter partes* reexamination proceeding. The U.S. Patent Office specifically declined to codify these cases so that the rules may develop flexibly along with the evolving body of case law.<sup>28</sup>

Nonetheless, the Final Rules for the AIPA did highlight the similarities between *ex parte* prosecution of the original application and *inter partes* reexamination:

The statute, 35 U.S.C. 305, provides that reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In a very real sense, the intent of reexamination is to start over and reexamine the patent and examine new and amended claims as they would have been examined in the original application of the patent. Section 132 permits the patent owner to propose amendments to the claims which will be reexamined by the examiner.<sup>29</sup>

Notably, in a reexamination proceeding, the statutory presumption of patent validity pursuant to 35 U.S.C. 282 does not apply.<sup>30</sup> Rather, the standards for review of patentability parallel those set forth for *ex parte* examination of the original case:

[C]laims subject to reexamination will “be given their broadest reasonable interpretation consistent with the specification, and limitations appearing in the specification are not to be read into the claims.” [citation omitted]. That standard is applied in considering rejections entered in the course of prosecution of original applications for patent.<sup>31</sup>

Therefore, substantively as well as procedurally, *inter partes* reexamination should provide a familiar forum for reinforcing the patentability, strength, and quality of an original letters patent. There are notable differences, however.

*Inter partes* reexamination proceedings have more stringent requirements for extensions of time<sup>32</sup> and certain formalities for entry of the

---

<sup>27</sup> 65 Fed. Reg. at 76759.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at 76763.

<sup>30</sup> *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

<sup>31</sup> *Id.* at 858 (quoting *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984)).

<sup>32</sup> 37 C.F.R. at § 1.956.

appeal phase.<sup>33</sup> Also, the Patent Office Rules prohibit interviews during *inter partes* reexamination.<sup>34</sup> Nonetheless, the sequence of examination by issuing office actions, the patentee's ability to amend claims and traverse the rejections, and the same standards of patentability are familiar to practitioners before the U.S. Patent Office, thus providing at least some measure of certainty in the process. To compensate for differences to enter the appeal process, the Patent Office Rules permit corrections for any deficiencies that amount to mere formality.<sup>35</sup> A sole inventor, having gone through a patent examination process at least once, should also have a sense of familiarity with these rules and standards. Upon commencement of an *inter partes* appeal, the briefing requirements are substantially similar to those for *ex parte* prosecution.<sup>36</sup> Accordingly, even though the *inter partes* reexamination is more adversarial than *ex parte* prosecution, individual inventors and large organizations each would be familiar with the *inter partes* proceedings in a rudimentary way.

The third party requester has the ability to sway the proceedings by commenting on the patentability of any claim amendments or by pointing out technical deficiencies of the patent owner's comments.<sup>37</sup> Legal and technical issues of anticipation and obviousness, and corollaries of inherency, motivation to combine, and teaching away in the cited art remain applicable.<sup>38</sup> The third party requester must stand in the shoes of the Examiner and argue against patentability.<sup>39</sup> While this is opposite the stance taken during *ex parte* prosecution, the legal issues will be identical to long-standing patentability standards applicable during typical *ex parte* examination. Therefore, even from the vantage point of the third party requester, the core reexamination proceeding should be familiar to patent practitioners and patent holders, large and small.

With *inter partes* reexamination proceedings, the U.S. Patent Office has attempted to restore confidence in the patent system through several policy mandates. One policy is to remove any perceptions of Examiner bias

---

<sup>33</sup> *Id.* at §§ 1.959, 1.963.

<sup>34</sup> *Id.* at § 1.955.

<sup>35</sup> *See id.* at § 1.959. The corrective measures were provided to alleviate any harshness that would accrue to a third party requester in view of the estoppel provisions of the statute, 35 U.S.C. § 317(b), discussed *infra*. 68 Fed. Reg. 70996, 70999 (Dec. 22, 2003).

<sup>36</sup> *Compare* 37 C.F.R. at §§ 1.965, 1.967 *with* 37 C.F.R. at § 1.192. There are, of course, differences in the rules due to issues introduced by the third party requester.

<sup>37</sup> *See id.* at § 1.947.

<sup>38</sup> 65 Fed. Reg. at 76763.

<sup>39</sup> *See* 37 C.F.R. at § 1.947.

by assigning *inter partes* reexaminations to Examiners not involved in the prosecution of the original letters patent.<sup>40</sup> To ensure soundness of the *inter partes* Examiner's decisions, the U.S. Patent Office has also adopted a policy of providing multi-examiner reviews at three critical stages of the reexamination proceeding: the first taking place just prior to an action closing prosecution of the reexamination, the second taking place just prior to issuance of the right of appeal notice, and the third taking place just prior to issuance of an Examiner's answer should the reexamination reach the appeal process.<sup>41</sup> Additionally, legal advisers oversee the reexamination process to ensure uniformity in practice and procedure.<sup>42</sup> By statute<sup>43</sup> and rule,<sup>44</sup> the Patent Office must conduct the *inter partes* reexamination with special dispatch. Because all activity in an *inter partes* reexamination proceeds on a written record, the costs are significantly reduced in comparison to a litigated action.<sup>45</sup>

For these reasons, much of the existing Patent Office Rules framework for *inter partes* reexamination forms a firm foundation that contributes to efficiencies and fairness, ensuring the quality of issued patents. Relatedly, the *inter partes* reexamination process should logically have widespread appeal since it permits a third party to shape the file history, thereby defining parameters of claim scope.<sup>46</sup> By eliciting both the Examiner's and patent owner's comments on the meaning of a claim term or by suggesting possible amendments, the third party requester can narrow the scope of a claim to eliminate, or at least mitigate, potential infringement problems, even if the patent owner successfully obtains a patent at the end of the process. Despite the more familiar accoutrements of *inter partes*

---

<sup>40</sup> 65 Fed. Reg. at 76757; Manual of Patent Examining Procedure § 2636 I(a) (May 2004) [hereinafter MPEP]. The Final Rules adopted to implement the 1999 and 2002 statutes provide a comprehensive and substantive guidance for proper handling of *inter partes* reexamination proceedings. The U.S.P.T.O. has also recently augmented the MPEP to include Section 2600 directed specifically towards *inter partes* reexamination.

<sup>41</sup> 65 Fed. Reg. at 76758; MPEP at §§ 2671.03, 2676.

<sup>42</sup> 65 Fed. Reg. at 76758-59.

<sup>43</sup> 35 U.S.C. § 314(c).

<sup>44</sup> 37 C.F.R. at § 1.937.

<sup>45</sup> The Patent Office Comments place costs estimate to a third party requester at \$50,000-\$150,000. 65 Fed. Reg. at 76760. This may be too conservative, as attorneys fees (in now defunct *inter partes* reissue proceedings) approached \$280,000 in 1988. *PPG Indus. Inc. v. Celanese Polymer Spec. Co., Inc.*, 840 F.2d 1565, 1568 (Fed. Cir. 1988). This is still, however, only a fraction of the millions that would be expended to litigate invalidity before a U.S. District Court.

<sup>46</sup> See *Bowers v. Baystate Tech., Inc.*, 320 F.3d 1317, 1332 (Fed. Cir. 2003).

reexamination and its potential as a strategic tool, the proceeding remains largely untested for reasons based on the underlying statutes.

#### IV. AMBIGUITIES WARD OFF POTENTIAL USERS

In promulgating the initial *inter partes* reexamination statutes, the legislators were particularly prescient of the potential problems that may be created by the new procedure. Perhaps this is not surprising in view of previous attempts to create *inter partes* proceedings in the Patent Office.<sup>47</sup> Included in the AIPA was a directive that the U.S. Patent Office conduct hearings on any potential inequities that accrue to any participant in an *inter partes* reexamination.<sup>48</sup>

Pursuant to the Congressional directive, the U.S. Patent Office conducted a Round Table discussion on *inter partes* reexaminations in February 2004. This Round Table included patent practitioners from small and large companies, representatives from the AIPLA and the ABA, private practitioners, and a representative from the academic community.<sup>49</sup> The statutory estoppels set forth at 35 U.S.C. §§ 315(c) and 317(b) clearly emerged as the primary impediment to more common and widespread use of the *inter partes* reexamination procedure.

Since its inception, the *inter partes* reexamination statute has included estoppel provisions that remain cryptic. These provisions dissuade use of the statute due to apparent prejudices that accrue to third party patent challengers using the *inter partes* reexamination procedures.

The “estoppel” provision of 35 U.S.C. § 317(b) provides:

*Final decision.*—Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an *inter partes* reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or *inter partes* reexamination proceeding, and an *inter partes*

---

<sup>47</sup> See *PPG Indus.*, 840 F.2d at 1568 (discussing repealed “Dann amendments” and its ineffectiveness at purported policy mandate to economize patent disputes).

<sup>48</sup> See 65 Fed. Reg. at 76759 (“Section 4606 of S. 1948 requires the Commissioner, not later than November 29, 2004, to submit to the Congress a report evaluating whether the *inter partes* reexamination proceedings established by this legislation is inequitable to any of the parties.”).

<sup>49</sup> 65 Pat., Trademark & Copy. J. 365 (Feb. 27, 2004) (hereinafter PTCJ).

reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings.<sup>50</sup> (Emphasis added).

The above estoppel applies to reexamination proceedings before the Patent Office. While the estoppel may appear onerous at first glance, a review of the Patent Office comments on the implementing regulation appears to militate against an overly broad application of this estoppel. Even harsher, however, is the estoppel provision of 35 U.S.C. § 315(c):

A third-party requester whose request for an *inter partes* reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the *inter partes* reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings. (Emphasis added).

On their face, the estoppel provisions raise significant uncertainty with regard to at least three different issues. First, under § 317(b) it is not clear who qualifies as a “privy” to a party. Does the relationship preclude heirs and creditors who may receive rights by operation of law, as well as assignees, from raising issues of patentability against the reexamined patent? Second, in both § 315(c) and § 317(b), it is not clear how broadly a party will be precluded from raising issues that the party “could have raised” in the *inter partes* proceeding. Third, and relatedly, it is not clear what qualifies as “unavailable” prior art. For example, a third party requester searched for prior art at the time of the reexamination but did not find reference “A” which was published at the time of the reexamination. Is the third party requester then precluded from challenging the reexamined patent in a district court or further *inter partes* proceeding by submitting arguments of invalidity or unpatentability based on reference “A” which later becomes discovered by the requester?

One highly prejudicial reading of the estoppel provisions would prevent the third party requester from further pursuing invalidity or unpatentability issues with the later found reference “A” because the reference was previously available to the requester – he just did not find it. As a result, unpatentability based on reference “A” is an issue that the third party requester “could have raised” and thus the requester would be estopped

---

<sup>50</sup> See also Pub. L. No. 107-273 at § 13202, 116 Stat. at 1901.

by the statute. What compounds the problem is that any other party that did not attempt to pursue *inter partes* reexamination would be free to challenge the patent validity/patentability by virtue of not taking advantage of the *inter partes* reexamination. Until the provisions are clarified by the courts or modified by Congress, the estoppel provisions create great disincentives to use the *inter partes* proceeding.

The 2002 Amendment to the *inter partes* reexamination statute did not alter the substance of the estoppel provisions, and the comments for the AIPA are somewhat ambiguous as to how far the estoppel should reach. What is clear, however, was the intent of the legislators to create an onerous price for pursuing *inter partes* reexamination. Ostensibly, the estoppel provisions served to prevent harassment of patent owners through multiple actions:

Traditionally, reexamination operated only between the patent owner and the PTO (*ex parte*). . . . While this *inter partes* procedure is considered beneficial because it provides cost savings over court litigation, some critics were concerned it would be abused. As a result, reexamination through the *inter partes* mechanism was designed with certain limitations (*e.g.*, estoppel provisions) which do not apply in *ex parte* reexamination under the Patent Act.<sup>51</sup>

Fundamentally, in addition to the [*ex parte*] reexam process in law today [in 1999], this title creates an additional reexam option that permits a 3rd party requestor to file additional written briefs. The price paid by those who would challenge a patent, however, is that the 3rd party requestor is barred from . . . subsequently litigating the same issues in a district court or making a second reexam request. This estoppel is the insulation that effectively protects patent holders.<sup>52</sup>

Further to the estoppel provision outlined above, the AIPA initially provided a severability clause, reinforcing the estoppel effects of reexamination. The language appears to at least tacitly recognize that the legislated estoppel provisions are harsh, perhaps to the extent that their enforceability may be called into question:

SEC. 507. . . . Any party who requests an *inter partes* reexamination under section 311 of title 35, United States Code, is estopped from challenging at a later time, in any civil action, any fact determined during the process of such reexamination, except with respect to a fact determination later proved to be erroneous based on information unavailable at the time of the *inter partes* reexamination decision. If this section is held to be unenforceable, the enforceability of the rest of this title or of this Act shall not be denied as a result.<sup>53</sup>

---

<sup>51</sup> 148 Cong. Rec. H6586, H6644 (daily ed. Sept. 25, 2002).

<sup>52</sup> 145 Cong. Rec. at H6944.

<sup>53</sup> *Id.* at H6935.

In contrast to the heavy-handed statements of the legislative history of the *inter partes* reexamination statute, the rules and associated comments promulgated by the U.S. Patent Office take on a much milder tone. The estoppel counterparts in the Final Rule are set forth in 37 C.F.R. § 1.907. While the first clause of Rule 907(b) substantially tracks 35 U.S.C. § 317(b), the latter half substantively differs:

[T]hen neither that party nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or *inter partes* reexamination proceeding, and an *inter partes* reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office notwithstanding any other provision of this chapter.<sup>54</sup>

Missing from the PTO rules are the references to newly discovered “unavailable” prior art that creates such ambiguity in the statute, and which burdens the third party requester with the task of conducting an all-encompassing prior art search so that all existing “available” art is revealed. The PTO’s approach to estoppel appears comparatively lax, while recognizing the severity of the estoppel provisions of the statute.<sup>55</sup>

During the comment period for proposed rulemaking, one commenter suggested the wording “could have raised” in Rule 907(b) be changed to “had become raised or should have become known to that party upon reasonable inquiry at the time the *inter partes* reexamination was ordered.”<sup>56</sup> The comment foretells the problems of the estoppel provisions of the statute, noting the “could have raised” language would theoretically bar a third party from requesting a new reexamination based on any existing patent or printed publication, even those remotely located in another file of the third party.<sup>57</sup> In reply, the Patent Office noted that one of the requirements of the PTO rules is that third party requesters include a certification that the estoppel provisions do not apply.<sup>58</sup> The Patent Office does not intend to look beyond that certification, and the issue would only arise if raised by the patent owner.<sup>59</sup> The Patent Office further noted that the commenters proposed language “should have become known upon reasonable inquiry”

---

<sup>54</sup> 37 C.F.R. at § 1.907(b).

<sup>55</sup> For instance, the appeal provision 37 C.F.R. at § 1.959 permits correction formalities that would otherwise leave a third-party requester unable to insulate himself against estoppel.

<sup>56</sup> 65 Fed. Reg. at 76764.

<sup>57</sup> *Id.*

<sup>58</sup> 37 C.F.R. at § 1.915(b)(7).

<sup>59</sup> 65 Fed. Reg. at 76764; MPEP at § 2612.

actually creates a broader estoppel than that provided by the statute.<sup>60</sup> Therefore, it appears that the Patent Office's view of the estoppel provision of § 317(b) is narrowly prescribed. Further, based on comments accompanying the Final Rules, the Patent Office would not bar an unsuccessful third party challenger from later introducing a different publication as a basis for an *inter partes* reexamination of the same patent, even if that publication was in existence at the time of the prior *inter partes* reexamination. Nevertheless, the potentially fatal sting of 35 U.S.C. § 315(c) causes many practitioners to steer clear of *inter partes* reexamination due to unknown effects of an unsuccessful reexamination in litigation.

## V. FUTURE REVISIONS TO INTER PARTES STATUTE AND RULES

Any future revisions to the *inter partes* reexamination statute should modify the estoppel provisions. This would include, at a minimum, clarifying the scope of the estoppel relative to prior art existing at the time of the *inter partes* reexamination order, but which remained undiscovered by the third party requester despite the efforts of a diligent search. Such clarification would provide better notice of the nature of the search that should be conducted before proceeding into reexamination. Presently, the vagueness of the estoppel provision stands as a strong deterrent for practitioners to recommend *inter partes* reexamination to challenge the validity of questionable patents.

Any revision to the estoppel provision must necessarily take into account the harassment that may result if the estoppel provision is removed in its entirety. In view of the fact that a third party requester may institute an *inter partes* reexamination at any time during the term of the patent, some safeguard should be provided to prevent abuse.

While the statutory language can be clarified, the Patent Office may also consider mechanisms to guard against a pattern of harassment. The comments to the final rules implementing the AIPA indicate that the U.S. Patent Office will not make a searching inquiry of the certification requirements regarding estoppel.<sup>61</sup> The Rules can be revised to indicate that if a third party requester institutes more than one proceeding against a patent, an additional certification should be made that the document identified by the requester for a subsequent reexamination was not previously known to the requester more than a certain period of time prior to filing the subsequent reexamination request. The certification similar to that for information

---

<sup>60</sup> *Id.*

<sup>61</sup> *Id.*

disclosure statements, 37 C.F.R. § 1.97(e), may serve as an appropriate starting point. An additional possible mechanism to deter multiple harassment filings and ensure an adequate search in the first instance is to provide a steeply escalating filing fee for each *inter partes* reexamination filed by a party against a single patent.

Aside from the estoppel provisions, another provision that should be revised is the timing for a third party requester to respond to comments submitted by the patent owner in response to Office Actions. By statute, the present response period is a thirty day window that may not be extended.<sup>62</sup> Because an adequate comment may require submission of a technical declaration after close scrutiny of the patent owner's reply, thirty days appears to be inadequate.

Other commonly voiced recommendations for revising the *inter partes* statute include expanding the scope for unpatentability determinations and adding the ability to cross-examine Declarants.<sup>63</sup> It is submitted that these items would be more properly implemented in a new post grant proceeding described below.

## VI. MOVEMENT TOWARDS A U.S. PATENT OPPOSITION PROCEEDING

Contemporaneous with the 2002 Amendment to the Reissue Statute, H.R. 1333 was introduced in the House to establish a patent opposition proceeding.<sup>64</sup> The movement towards a post-grant opposition continues. The U.S. Patent and Trademark Office's *21<sup>st</sup> Century Strategic Plan* specifically contemplates proposal of patent law amendments to improve a post-grant review process<sup>65</sup> and to support an automated information system.<sup>66</sup> The Strategic Plan also intimates the possibility that *inter partes* reexamination may not be retained.<sup>67</sup> At this writing, the Congressional Record for the 108th Congress has not reported any activity regarding repeal of the *inter partes* reexamination or enacting provisions for a post-grant opposition.<sup>68</sup>

---

<sup>62</sup> 37 C.F.R. at § 1.947.

<sup>63</sup> 67 PTCJ at 366.

<sup>64</sup> H.R. 1333, 107th Cong.

<sup>65</sup> U.S.P.T.O., *The 21<sup>st</sup> Cent. Strategic Plan* 11, [http://www.uspto.gov/web/offices/com/strat21/stratplan\\_03feb2003.pdf](http://www.uspto.gov/web/offices/com/strat21/stratplan_03feb2003.pdf) (last updated Feb. 3, 2003).

<sup>66</sup> *Id.* at 6.

<sup>67</sup> *Id.* at 14.

<sup>68</sup> It appears though that the issues will be framed for consideration by the 109th Congress as part of the Patent Quality Assistance Act through the introduction of H.R. 5299 by

The post-grant proceeding also holds particular interest for the Federal Trade Commission, which in late 2003, positively advocated formation of an opposition process.<sup>69</sup> With this wide-ranging interest in forming a patent opposition process, it is instructive to revisit H.R. 1333. H.R. 1333 did not progress far in the legislative process and had only a rudimentary form which included the following provisions:

Establishment of a panel of administrative opposition judges, having competent legal knowledge and scientific ability.<sup>70</sup>

A short time window of applicability, requiring the opposition be filed nine months after the issuance of a patent and payment of an opposition fee.<sup>71</sup>

The opposition may be based on prior art citations (anticipation or obviousness) or prior public use or knowledge or on any other basis.<sup>72</sup>

The opposition would be conducted before a judge in an *inter partes* manner, and include discovery (voluntary or compelled), including the submission of documents, expert testimony in direct examination or cross examination or by deposition. The Federal Rules of Evidence would apply.<sup>73</sup>

The claims could be amended at any time, but could not broaden any issued claim.<sup>74</sup>

The decision on patentability would be issued within 18 months of the request.<sup>75</sup>

The opposition would apply to any patent issued on or after the effective date of the statute, or any patent issuing from an application pending or filed on or after the date of the statute.<sup>76</sup>

The opposition parties would have a right to appeal.<sup>77</sup>

Estoppel would apply, but not to the extent elaborated by the *inter partes* reexamination statute.<sup>78</sup>

---

Representative Howard Berman. This bill is to respond to reports issued by the Federal Trade Commission. 68 PTCJ 682 (No. 1692) (Oct. 22, 2004).

<sup>69</sup> *Executive Summary, supra* n. 15.

<sup>70</sup> H.R. 1333, 107th Cong. at § 2(321)(a).

<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at § 2(321)(b)(1).

<sup>73</sup> *Id.* at § 2(321)(b)(2).

<sup>74</sup> *Id.* at § 2(321)(b)(3).

<sup>75</sup> *Id.* at § 2(321)(b)(4).

<sup>76</sup> *Id.*

<sup>77</sup> *Id.* at § 2(321)(b)(5).

Interestingly, the 104th Congress proposed a nominal opposition fee for an opposition based on prior art citations, but a significantly higher one for an opposition based on grounds other than prior art citations.<sup>79</sup> By so doing, H.R. 1333 tacitly acknowledges that publication-based challenges would inherently consume fewer resources and incur a lighter burden in administration of the proceeding. This is logical since issues of enablement, best mode, inventorship, and public use engender more difficulty in proof by way of declarations, exhibits, and testimony. This counsels in favor of maintaining the *inter partes* reexamination even if an opposition statute is passed since a publication-based proceeding differs in kind from any other proceeding. The language of H.R. 1333 contemplated the co-existence of the new opposition proceeding and *inter partes* reexamination.<sup>80</sup>

Compared to the documentary system of the *inter partes* reexamination, the proposed opposition procedure has many more of the characteristics of a full litigation. The proposed opposition scheme has a wider scope for investigating patent validity. One matter that should be considered is whether the presumption of validity will apply. This will have a drastic impact on whether litigants will seek the traditional court or the new proceeding to challenge the patent's viability. The FTC's Executive Summary appears to suggest that a determination of patent validity, in the litigation context, be changed to a lower "preponderance of the evidence standard" from the current "clear and convincing" standard.<sup>81</sup> This change appears imprudent since it undermines, rather than strengthens, confidence in the workings of the patent system. What may be plausible, however, is to apply the "preponderance" standard in an *ex parte* proceeding. This would allow the parties and the public to better assess what may occur when a court construes the claims as a matter of law.

Compared to *inter partes* proceedings, significantly more fact finding is contemplated for an opposition. For efficiency considerations, the benefits of allowing both direct and cross-examination of witnesses should

---

<sup>78</sup> *Id.* at § 2(322)(b)(2) (In particular, the estoppel applies to issues "raised" by a party; it is silent on matters that the party "could have raised."); *Id.* at § 2(322)(b)(3) (includes language referring to "newly discovered prior art, or other evidence, unavailable" at the time of the proceeding).

<sup>79</sup> *Id.* at § 2(322)(b)(2) ("Fees" section). The proposed opposition fee was \$200 for one based on prior art citations and \$5,000 for one requested on any other basis.

<sup>80</sup> For instance, the H.R. 1333 estoppel provisions refer to an *inter partes* reexamination and the opposition in the alternative. *Id.* at § 2(322)(b)(1)(A)-(B). The conforming amendments of H.R. 1333 refer to *inter partes* reexamination proceedings. *Id.* at § 5(a) ("Conforming Amendments" section).

<sup>81</sup> *Executive Summary, supra* n. 15, at 8-10.

be weighed against allowing only cross-examination of witness testimony initially submitted via Declarations. The first approach is likely to expand the time and monetary requirements of the opposition system. The latter approach offers a compromise to a full litigation, while addressing many concerns about a perceived deficiency in *inter partes* reexamination process.

## VII. CONCLUSION

Congressional enactment of an opposition proceeding would provide a wide spectrum of administrative means to ensure the quality of patents. At one extreme requiring relatively few resources would be the *ex parte* reexamination, at the other extreme would be the opposition proceeding. *Inter partes* reexamination would stake the middle ground. Such a system offers comprehensive yet flexible tools as an alternative to more contentious litigation in district court. As a precursor to having three viable post-grant review proceedings, Congress must clarify the *inter partes* reexamination statutes with regard to the existing estoppel provisions.