

Staffing Post Grant Review Matters at the USPTO Today and Tomorrow
By W. Todd Baker

I. Overview

The advent of the Central Reexamination Unit (“CRU”) in 2005 has proven to be a boon to third parties and a curse on the U.S.P.T.O’s (“PTO”) workload and timeliness performance measures. Prior to formation of the CRU, different examiners (i.e., not the original examiners who handled the prosecution of the application that matured into the patent) were assigned to handle the reexamination proceedings. While these “different” examiners were knowledgeable in the classified technology area involved in the reexamination, they had to make determinations on the reexamination requests and, if reexamination was ordered, handle the reexamination proceedings along with all of the other regular non-provisional and reissue applications on their dockets.¹ Not surprisingly, reexaminations were rarely leveraged by accused infringers as a litigation or licensing strategy, and drained PTO examination resources. Moreover, third parties perceived that examiners in the Technology Centers had an inherent bias in favor of patent owners. In contrast, third parties now perceive that reexamination conducted in the CRU is more objective.

Encumbered with a reputation for poor patent quality and an underutilized reexamination process, the PTO formed the CRU and revised the policies under which it conducted reexaminations. The newly instituted reexamination policies provided that the CRU would use hand picked primary examiners dedicated to reexamination, and that each substantive examination action taken by the CRU would be approved by a three person reexamination team.

Today, many practitioners attribute the surging popularity of reexamination (*inter partes and ex parte*) to the creation of the CRU and its “patent killer” reputation. Reexamination is widely believed to be an effective process for avoiding infringement and gaining intervening rights resulting from claim cancellations and amendments to patents made during reexamination. In addition to its effectiveness as a litigation strategy, potential licensees have leveraged reexamination (or the threat of reexamination) during licensing negotiations. Confronted with the substantial likelihood

¹ <http://www.patentpostgrant.com/lang/en/2009/11/the-role-of-opla-in-reexamination-proceedings>

that reexamination will result in claim cancellations or amendment, patent owners have often been motivated to modify or abandon their licensing positions.

However, while a boon for third parties, the surging popularity of reexaminations (third party initiated) has proven to be a curse on the PTO's workload and productivity measures. As discussed in more detail below, with an examination model unsuited for efficient disposal of cases, the average pendency of *inter partes* reexamination has increased to the point where district courts now cite lengthy pendency as a basis for denying stay requests.² Moreover, without the benefit of an estoppel provision, *ex parte* reexaminations of the same patent have reduced the bandwidth of the CRU to reexamine patents for a first time.

This paper identifies the current staffing of the CRU to reexamine patents and the Board of Patent Appeals and Interferences ("BPAI") to handle reexamination appeals. Current workload and timeliness measures for the CRU and the BPAI are provided. With patent reform regaining momentum, staffing concerns at the BPAI (renamed Patent Trial and Appeal Board ("PTAB") by Senate bill S.515) are identified and a process for clearing the decks of reexaminations being handled by the CRU is proposed.

II. Reexamination Staffing at the USPTO

A. Central Reexamination Unit and the Office of Patent Legal Affairs

The CRU currently consists of fifty nine (59) primary examiners. Twelve (12) examiners are assigned to bio/chemical technologies, fourteen (14) examiners are assigned to mechanical technologies, and thirty three (33) examiners are assigned to electrical technologies.

As pointed out above, the surge in reexamination requests is due, at least in part, to an improved performance in handling reexamination proceedings by the CRU. The improved performance is also attributable to the assistance of the legal advisors in the Office of Patent Legal Affairs ("OPLA").

OPLA has been instrumental in designing and implementing reexamination process improvements. Some examples of recent OPLA driven initiatives/changes include:

² See e.g., *Telecommunication Systems, Inc. v. Sybase 365, Inc.*, 2-09-cv-00387 (E.D. Va., December 23, 2009)(Doumar, J.)

1. Request for reexaminations must meet all applicable statutory requirements to get a filing date. Thus, the patent owner, and the Office, are better able to evaluate the request to see if a substantial new question of patentability (an “SNQ”) has been raised when a filing date is given;

2. If reexamination is requested for less than all the patent claims, the PTO determination on the request will generally review, on the merits, only the claims for which reexamination was requested. Further, during the examination stage, the PTO will generally only examine those claims for which reexamination was requested, and a SNQ was raised;

3. Extensions of time were made more difficult to justify; and

4. Supplemental responses were prohibited without a showing of sufficient cause why entry should be permitted.³

Additionally, OPLA legal advisors decide most of the complex reexamination petitions. For example, a 37 C.F.R. § 1.182 petition by a patent owner to vacate an order granting *ex parte* reexamination due to third party harassment would be handled by OPLA. Whereas, a 37 C.F.R. § 1.181(c) petition for review of the SNQ analysis provided in the same order would be handled by a director of the CRU. The timeliness of the CRU and OPLA in deciding petitions in reexamination, however, has been a recent point of concern for practitioners and the PTO, alike.

B. BPAI

The patent owner in an *ex parte* reexamination proceedings has a right to appeal to the BPAI and thereafter to the United States Court of Appeals for the Federal Circuit. In an *inter partes* reexamination proceeding, however, the party requesting reexamination is given the opportunity to reply to each submission made by the patent owner and an independent right to appeal the final determination to the BPAI and Federal Circuit. See 35 U.S.C. §§134(b) and (c), which provide:

(b) PATENT OWNER.- A patent owner in any reexamination proceeding may appeal from the final rejection of any claim by the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.

(c) THIRD-PARTY.- A third-party requester in an *inter partes* proceeding may appeal to the Board of Patent Appeals and Interferences from the final decision of the primary examiner favorable to the

³ See <http://www.patentspostgrant.com/lang/en/2009/12/the-role-of-opla-in-reexamination-proceedings-part-3-of-3>.

patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.

The BPAI is headed by Chief Administrative Patent Judge (“APJ”) Michael Fleming with guidance provided by former Chief APJ and now Senior APJ and Advisor Fred McKelvey. The Board has two divisions. Division 1 includes biotechnology, computers, and contested cases sections. As discussed in more detail below, the contested cases section handles *ex parte* and *inter partes* reexamination appeals as well as interferences. Division 2 includes chemical, communications/electrical, and mechanical/business method sections. Division 1 is headed by Vice Chief APJ Moore and Division 2 is headed by Vice Chief APJ MacDonald. As of October 2009, the two divisions of the Board included eighty one (81) APJs and thirty one (31) patent attorneys (“PAs”), collectively.

The BPAI has recently implemented a chambers program where each section of the BPAI is organized as one or more chambers, and each chamber is designed to include two APJs, two PAs, and one paralegal. Each judge within a chamber is the supervisory backup of the other judge. The PAs are responsible for reviewing quality and workflow of the paralegals.⁴

III. Workload and Timeliness Issues at the CRU and the BPAI⁵

A. CRU

1. Workload

As of December 31, 2009, there were two thousand thirty three (2033) pending reexaminations (*ex parte* and *inter partes*). One thousand six hundred eighty eight (1688) of those reexaminations (i) were awaiting a first action on the merits (“FAOM”) or (ii) had received a FAOM, but had not yet received a Notice of intent to Issue a

⁴ <http://www.uspto.gov/ip/boards/bpai/stats/present/index.jsp>

⁵ Workload and timeliness measures for the CRU can be found at http://www.uspto.gov/patents/stats/Reexamination_Information.jsp. Workload and timeliness measures for the BPAI can be found at <http://www.uspto.gov/patents/process/appeal/index.jsp>

Reexamination Certificate (“NIRC”). Thus, on average, each CRU examiner has approximately twenty nine (29) “active” reexaminations on their dockets.

2. Timeliness

Pursuant to 35 U.S.C. §§ 305 and 334(c), *ex parte* and *inter partes* reexamination proceedings, including any appeal to the BPAI, are required to be conducted with special dispatch within the Office. Consistent with the special dispatch provisions, the CRU is required to enter a decision in response to a request for reexamination within three months of the filing date of the request. However, it has recently proven difficult for the CRU to conduct reexaminations with special dispatch after granting requests due to continual filings of (i) notices of concurrent proceedings, (ii) IDSs, and (iii) petitions by the parties to the proceedings.

Through the quarter ending December 31, 2009, the average number of months to an *ex parte* reexamination certificate was 31.1 months and the average number of months to an *inter partes* reexamination certificate was 37.3 months. The challenges confronted by the CRU to reduce these pendency measures are various. For one, in *inter partes* reexamination, complex technical and legal issues that arise in any *inter partes* patent matter are exacerbated by the examination model required by statute in *inter partes* reexamination. Further, as discussed above, petition issues frequently arise often taking the reexamination case off-line.

B. BPAI

1. Workload

As of this February, sixty three (63) *ex parte* reexamination appeals, sixteen (16) *inter partes* reexamination appeals, and forty four (44) interferences were pending before thirteen (13) APJs assigned to the contested cases section of the BPAI. An inventory of that size is manageable. However, there are fourteen thousand fifty nine (14,059) *ex parte* application appeals currently pending at the BPAI. In order to address the sizable inventory of *ex parte* application appeals, the BPAI is in the process of revising the rules governing appeals of actions regarding patent applications. Further, APJs from the contested cases section are being used on those appeals. Although not a near term solution, PAs are being groomed as future APJs.

2. Timeliness

The average pendency of *ex parte* appeals (applications and patent reexaminations) measured from the date that the appeal is docketed at the BPAI through the decision date is currently 9.9 months. The average pendency of *inter partes* reexamination appeals is unavailable.

Will the pendency of reexamination appeals increase in the future? A tell tale sign is the growing inventory of *ex parte* appeals of applications. The BPAI predicts that, as a consequence of the growing inventory of *ex parte* appeals of applications, the pendency of those appeals for 2010 will increase from 9.9 months to 14 months. Thus, it appears that the BPAI does not have sufficient APJ and PA resources to manage the growing number of *ex parte* application appeals as well as the growing number of *inter partes* reexamination appeals.

IV. S.515 -- Staffing Issues at the Patent Trial and Appeal Board

A. Post Grant Review

Recently, the Senate's patent reform bill S.515 was publicly released. As anticipated, S.515 changes the U.S. patent system from a first to invent system to a first inventor to file system. Accordingly, provisions for priority contests are not provided in the bill. In addition, S.515 includes provisions for post grant review of patents and revises the current *inter partes* reexamination (renamed *inter partes* review) laws. Post grant review is procedurally similar in many respects to *inter partes* review, but is not limited to patents and printed publications. Rather, any ground that could be raised under paragraph (2) or (3) of 35 U.S.C. § 282 (b) can form the basis for the review. Post grant review may be initiated only within nine (9) months of grant or issuance of a patent. Importantly, S.515 provides that post grant reviews are conducted by APJs, not the CRU.

B. Inter Partes Review

In addition to renaming *inter partes* reexamination, S.515 replaces the SNQ standard with a heightened standard. The new standard for granting *inter partes* review according to S.515 would be whether or not the third party petitioner "shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."

Intended to complement post grant reviews, S.515 provides that *inter partes* reexaminations would be unavailable for the first nine (9) months after issuance of the targeted patent. Consistent with the provision for APJs to handle post grant reviews, S.515 provides that *inter partes* reviews would be conducted by APJs using an adjudication procedure rather than examination, not the CRU.

Inter partes reexaminations instituted prior to the effective date of S.515, if enacted into law, would continue unchanged. Thus, an issue presented by S.515 is how the Office would clear the deck of pending reexaminations.

V. Proposed Solutions for Now and the Future

A. Should the Office Clear the Decks at the CRU?

Rumors of the demise of interferences via patent reform have been greatly exaggerated for years. Thus, whether S.515 will have a different fate than other recent patent reform bills is uncertain at best. Even if S.515 were never enacted as law, any proactive reorganization of the CRU or change of the reexamination rules may prove to be politically presumptuous and upset the law making process.

Be that as it may be, the CRU should, as soon as possible, dedicate approximately one-third of its examiners to *inter partes* reexaminations. Unlike the *ex parte* reexamination process which shares many similarities to the examination process of applications, *inter partes* reexamination has more complexities and nuances which examiners in the CRU are better suited to address. Accordingly, if S.515 is eventually enacted as law, the patent examining corps will have little difficulty in absorbing existing *ex parte* reexaminations. For the reasons provided above, absorbing *inter partes* reexaminations would prove to be a more complicated undertaking. Even if S.515 is not enacted as law, dedicating a sub-set of CRU examiners to *inter partes* reexaminations may prove beneficial in reducing pendency via specialized experience gained from repeated exposure to the *inter partes* process.

Moreover, due to the fact that patents in reexamination are of high importance, as evidenced by the frequency in which those patents are being asserted in concurrent litigation, the PTO should reallocate a larger percentage of the experienced members of the patent examining corps, preferably primary examiners with law degrees to the CRU. Additional primary examiners working in teams of three would be able to work on *ex*

parte reexaminations with proper additional training and supervision, and would supplement nicely a group of CRU examiners dedicated to *inter partes* reexaminations.

Although many changes to the current *inter partes* reexamination practice have been suggested here and elsewhere, politics may cause the PTO to maintain the status quo. That is, the PTO may be constrained from making procedural changes in advance of the legislation for fear of upsetting Congressional staff working on patent law reform. However, it may be 18 months or more before any new law goes into effect, much too long for problems to fester in the PTO without solution.

B. Increasing APJ Resources for Today and Tomorrow

As suggested above, at its outset, the PTAB will be overloaded having to manage post grant reviews, *inter partes* reviews, and application appeals. Foreseeing this issue, S.515 includes a graduated implementation provision which provides the Director during the first four years of the new law discretion to limit the number of *inter partes* reviews to the number of *inter partes* reexaminations ordered during the last fiscal year under the current laws. S.515 also provides the Director with broad discretion to limit the number of post grant reviews. These graduated implementation provisions may provide the PTAB some relief; however, the growing inventory of application appeals alone will likely prove overwhelming to the PTAB. Further, the graduated implementation provisions of S.515, if employed by the Director, will only serve (i) to increase the backlog of *inter partes* and post grant reviews awaiting adjudication or (ii) to redirect patent validity disputes, best handled by the expertise of the PTO, to district courts.

The lack of APJ resources is not only of concern to Congress. The BPAI has already announced plans to increase the number of APJs and PAs. As reflected by CAPJ Fleming's presentation at AIPLA's 2009 Annual Meeting, the BPAI intends to hire twenty five (25) APJs and thirty seven (37) PAs over the next two years.⁶

Of particular interest is the plan to hire the additional PAs. It appears that the PA position offers an excellent opportunity to receive on the job training for a judgeship. Further, the quality of life is high due to the flexibility offered in where and when the PA is required to work. In light of the ongoing recession and the increased recognition by

⁶ <http://www.uspto.gov/ip/boards/bpai/stats/present/index.jsp>

the Office that its talent pool has to be expanded beyond the Maryland-DC-Virginia region, there may never be a better time to recruit talented diverse members to the BPAI.



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As a team leader of the Reissue and Reexamination Practice Group, a significant portion of Mr. Baker's practice involves post grant proceedings handled by the USPTO's Central Reexamination Unit including ex parte and inter partes reexaminations.

Mr. Baker is co-chair of the firm's Interference Practice Group. His practice includes advising clients on patent interference prosecution matters before the USPTO's Board of Patent Appeals and Interferences. Interference practice involves issues of priority, patentability, derivation, and inventorship. Mr. Baker's extensive experience with both reexaminations and interferences makes him particularly well suited to advise clients on alternatives to traditional litigation based validity challenges.

In addition to his post grant practice, Mr. Baker prepares and prosecutes patent applications in diversified electrical and mechanical technologies. He is a former patent examiner with the USPTO, where he specialized in multiplex communications.

Mr. Baker is currently the chair of the USPTO Inter Partes Patent Proceedings Committee (formerly known as the Interference Committee) of the American Intellectual Property Law Association. The Interference Committee was renamed and its mission revised to reflect a broadened scope encompassing interferences as well as inter partes reexamination.

Mr. Baker is also a regular contributor to:



www.patentspostgrant.com

