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Ideas Into Action: Implementing Reform Of The Patent System

The Metamorphosis of *Inter Partes* Reexamination

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SUMMARY:

... There is a compelling need to metamorphose *inter partes* reexamination into a post-grant review proceeding because adoption of a well-designed post-grant process would improve patent quality, reduce the cost of confirming patentability, and increase efficiency. ... Post-grant review of a patent currently takes place before the USPTO when: (1) an applicant files an application to reissue a patent; (2) when an interference is declared; (3) a patent owner or a third-party requests reexamination of the patent; or (4) the Director initiates reexamination of a patent on his own initiative. ... *Ex parte* reexamination, whether initiated by a patent's owner, the USPTO Director, or a third party, and reissue examination have been the traditional post-grant review tools. ... First, the threat of estoppel, particularly for later filed challenges, would encourage a third party to fully develop the set of patentability issues reasonably pertaining to a patent prior to initiating a challenge. ... The post-grant *inter partes* proceeding would be initiated by a third party, and have limited discovery; be heard before a tribunal of APJs without examination to minimize delay and yield the predictability of trained legal experience; enlarge the scope of contestable issues to provide a comprehensive alternative to litigation; and match the levels of estoppel and evidentiary standards to the timing of the proceedings to encourage early patentability challenges. ...

I. INTRODUCTION

There is a compelling need to metamorphose *inter partes* reexamination into a post-grant review proceeding because adoption of a well-designed post-grant process would improve patent quality, reduce the cost of confirming patentability, and increase efficiency. Such a transformation would result in a more predictable, reliable, and timely confirmation of patentability.

This Article proposes a new post-grant review process based on the experience of the United States Patent and Trademark Office (USPTO) with *inter partes* reexamination to date. The proposal looks to and adopts aspects of the USPTO's *21st Century Strategic Plan*,¹ as well as comments received by the USPTO during its Round Table Meeting on The Equities of *Inter Partes* Reexamination Proceedings ("*Inter Partes* Round Table") held in February of 2004,² and related comments from the National Research Council.³ As a result, the proposed post-grant review process would require a *prima facie* case of unpatentability for initiation. Proceedings would be bifurcated into those initiated within one year from patent grant or reissue and those initiated later. Proceedings initiated within the first year would have a lower fee, be available to anyone, allow consideration of any issue of patentability, and limit estoppel to issues actually raised. In contrast, proceedings requested after the first year would have a higher fee, be available only to parties with a significant economic or proprietary interest in the validity of a patent, and apply estoppel to any issue raised or that could have been raised. Overall, the procedure would require total electronic conveyance and maintenance of records, be conducted at a newly nominated Board of Patent

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Adjudication ("BPA") by a panel of three administrative patent judges (APJs), and have limited forms of discovery.

Parts II and III, respectively, of this Article review the current state of post-grant review and discuss the policy goals driving the proposal. Part IV details the structure of the proposal. Finally, the Article outlines the legislative changes required to effect such an evolution in Part V.

II. THE CURRENT STATE OF POST-GRANT REVIEW

Intellectual property's value derives from the rights it confers to mine a claim in today's information based, knowledge driven economy.⁴ Uncertainty and the compressed life of intellectual property have created a growing interest in, and higher expectations for, quality, timeliness, and efficiency in the granting of intellectual property rights.⁵ Such expectations are driven by the immense economic incentives engendered by those rights and the consequent drive for further innovation.

A process for administratively reassessing patentability quickly, reliably, and predictably is essential if we are to channel valuable resources currently spent on defending intellectual property into exploiting and creating new economically valuable intellectual property. For this reason, confirming patentability becomes ever more significant. Raising and resolving patentability issues at the earliest time and in the most comprehensive manner is necessary to strengthen both patents and, more broadly, the intellectual property rights they afford.⁶

Currently, third parties have a limited pre-grant opportunity to protest or oppose issuance of a patent.⁷ Patent law precludes protest or other pre-issuance opposition after the publication of an application unless the applicant gives express written consent.⁸ The public may file information disclosures, but only up to the earlier of two months following the application's publication or allowance.⁹ Such disclosures may not discuss or highlight their relevance,¹⁰ because of the potential for harassing effect. Current rules allow an inquiry into whether a patent claim had been on sale or in public use over one year prior to filing, but only before the application's publication or allowance, whichever is earlier.¹¹ These submission deadlines constrain the public's awareness of an application and limit the opportunity to question patentability.

Existing administrative post-grant proceedings raise and resolve patentability issues arising after examination and patent grant, but leave much to be desired.¹² Post-grant review of a patent currently takes place before the USPTO when: (1) an applicant files an application to reissue a patent; (2) when an interference is declared; (3) a patent owner or a third-party requests reexamination of the patent; or (4) the Director initiates reexamination of a patent on his own initiative.¹³

Ex parte reexamination, whether initiated by a patent's owner, the USPTO Director, or a third party,¹⁴ and reissue examination have been the traditional post-grant review tools. These measures limit third party participation to an initial statement. Furthermore, the patent which emerges from these proceedings assumes a presumption of validity which only litigation can challenge.¹⁵ More recently, the introduction of *inter partes* reexamination practice the American Inventor Protection Act ("AIPA"), in 1999, and AIPA's subsequent amendment, in 2002, to afford third parties the right to appeal decisions to the U.S. Court of Appeals for the Federal Circuit, have expanded third party participation rights, resulting in increased interest in this proceeding.¹⁶

All of the administrative post-grant proceedings detailed above have other serious shortcomings. Examination procedures are lengthy and time consuming,¹⁷ and their results lack uniformity due to the large number of examiners. More notably, the estoppel provisions of *inter partes* reexamination

limit this procedure's attractiveness as a remedy, because requesters are completely precluded from raising in later proceedings any issue that could have been raised in the reexamination proceeding.¹⁸

Hence, while the existing reexamination tools provide valuable mechanisms to question patent validity, additional facilities are needed for third parties to adequately challenge patentability without unduly harassing patent owners. The USPTO's experience with *inter partes* reexaminations, the *21st Century Strategic Plan*, and the USPTO's *Inter Partes* Round Table all suggest the next step in the evolution of *inter partes* reexamination should be a transformation from the current practice into a greatly expanded form of post-grant review, available during a relatively short window of time.¹⁹

III. POLICY GOALS OF POST-GRANT REVIEW

The recent *Inter Partes* Round Table concluded that any proceeding that tested patented claims should be predictable, reliable, and timely.²⁰ In contrast, public perception is that the current patent examination, reissue, and reexamination systems do not satisfy these criteria. There was virtually unanimous agreement on the need for an effective *inter partes* post-grant review proceeding. The Roundtable identified five attributes required of a post-grant *inter partes* solution: (1) appropriate timing of the initial challenge; (2) timely decisions; (3) proper scope of the hearing, including estoppel effects; (4) predictable and uniform decisions; and (5) transparent proceedings.

Moreover, the roundtable clearly articulated a need for quieting patent claims' title by encouraging opposition timing early in a patent's life, while retaining failsafe protections against unforeseeable invalidity of a patent. A comprehensive plan must meet each of these goals.

A. Timing of the Patentability Challenge

Third parties should be encouraged to test patent claims as early as possible after issuance, when patent holders have invested the least resources and the opportunity for third parties to change course in the market is greatest. The *Inter Partes* Round Table suggested a time period of about nine months to two years, with one year as a useful benchmark for initiating post-grant review of a patent.²¹ Subsequent to this period, the likelihood that the patent owner would be practicing the invention more widely and that third parties might perform potentially infringing activities leads to a heightened need to protect patent owners against potentially harassing conduct. There are a large number of patents issuing each year, however, suggesting it may be impractical to sort out all patentability issues within one year.²² One roundtable participant suggested a second temporal breakpoint, at about five years, which would allow intermediate balancing between potential for harassment of patent owners and the duration required to identify patents that ought to be challenged by deferring the current estoppel provisions until the five year mark.²³

B. Timeliness of the Decision

Both time to initiation and time to decision are of concern in testing patentability; the sooner a patent is confirmed, the sooner the public and owner can have confidence in the patent rights.²⁴ While there is unanimous agreement that sufficient time should be given to the actual process of evaluating patentability, far too much time is consumed in administrative queuing delays and in evaluating additional issues in merged proceedings. These delays significantly lengthen the time a cloud hangs over patentability, and ought to be reduced.

C. Scope

To be effective, the scope of post-grant review, like validity litigation, must extend to all issues of patentability. Current law, however, restricts review to issues arising solely from prior art.²⁵ The policy of minimizing potentially harassing challenges can be better balanced against the need to correct all patentability issues, including those unrelated to prior art, in a lower-cost, more expedient proceeding than litigation. Requiring a *prima facie* case for initiating a challenge, with adequate supporting analysis and evidence, would achieve this balance.

D. Predictability and Uniformity - Legal Experience

Of significant concern to patent owners is the lack of predictability in an examination conducted by one of more than 3500 patent examiners within the Patent Examining Corps. Although patent examiners possess technical education, the degree of legal training and experience varies widely. This disparity makes it nearly impossible to achieve uniform and consistent results.

To increase predictability, the newly cast BPA, staffed by administrative patent judges holding both extensive patent examination experience and law degrees, could conduct post-grant review proceedings sitting as three-judge panels.²⁶ APJs would either possess the necessary *inter partes* experience from patent interference procedures or would learn *inter partes* practice by consulting with experienced BPA members. As for legal knowledge, the academic rigor of legal analysis acquired in law school, actively honed on patent applications, reexaminations, and interferences, increases the assurance that like issues will be resolved in like manner, with a record for judicial review if subsequently sought. Thus, the legal expertise of APJs introduces greater predictability than that in patent examination. Additionally, three judge panels normalize the initial conclusions drawn by each member. This is particularly important in cases involving first impression, or in cases for which multiple, divergent opinions from the Federal Circuit exist.

E. Reliability and Transparency - Electronic Records Management

Reliability implies dependability and durability. The most effective tool for providing reliable post-grant review is electronic communication and record management techniques covering every facet of the proceedings.²⁷ This would immediately and accurately update the official record as each communication is received into or sent from the USPTO, encapsulating the complete history of the proceeding at any point in time.

IV. THE PROPOSAL

Several plans have been proposed for remedying the weaknesses in existing *ex parte* and *inter partes* procedures outlined above in Part II. Both the USPTO's *21st Century Strategic Plan* and the *Inter Partes* Round Table proceedings propose a transformation of the current system into an expanded post-grant proceeding available during a relatively short window.²⁸ However, neither of these plans is fully fleshed out. This Part proposes a comprehensive solution that retains the benefits of existing practice, incorporates the best suggestions of previous plans, and details new measures. The goal of this solution is to create a more timely, predictable, and reliable process.

Key to the proposal is the balancing of legal and economic costs to all involved parties against both the potential for harassment and the desirability of promptly quieting title in new patents. After reviewing the legal and economic costs, this Part lays out the procedure's design, demonstrates how

it overcomes the challenges of estoppel provisions and cost, and details the statutory changes needed for implementation.

A. Estoppel Effects

The *Inter Partes* Round Table identified estoppel as the most significant issue in post-grant review.²⁹ Although the 2002 changes to *inter partes* reexamination removed the preclusion of judicial appeal for third party requesters, issue preclusion and collateral estoppel provisions were retained.³⁰ Many respondents suggested that recommending *inter partes* reexamination to a client was tantamount to committing malpractice because of estoppel effects.³¹ The upshot is that, absent a cold anticipating reference, *inter partes* reexamination is simply not an effective tool so long as requesters are completely precluded from raising in later proceedings any issue that could have been raised in the administrative proceeding.³²

The proposed post-grant review would address this concern by bifurcating the levels of estoppel, depending on when the review was initiated. To encourage early testing of patents, a less onerous estoppel would attach to reviews initiated within a year of grant. Issue preclusion would be limited to only those issues actually raised in first year *inter partes* proceedings. However, the existing complete estoppel would continue to attach to post-grant review proceedings initiated a year or more after grant.³³ This would assure that all possible issues would be presented in a single proceeding³⁴ and that the lower cost for such proceedings would not act as an enticement for harassment.

B. Cost Considerations

To make it an attractive alternative to litigation, the cost of a post-grant administrative proceeding should be two orders of magnitude less costly than litigation - in the range of \$ 8,000 to \$ 12,500. The USPTO can balance how the requester, the patent owner, and the patent system as a whole should share the internal costs incurred by the USPTO. The policy favoring testing patentability early argues for substantially reducing the fee for the procedure initiated during the first year following grant, perhaps by half, compared to the fee for subsequent initiation.

A less obvious cost is borne by third parties to develop the record of issues to be decided. The absence of a patent examiner in the proceedings means that the third party must determine all of the patentability issues to be considered and find the best prior art upon which to challenge novelty and nonobviousness, including evidence for motivation to combine references.³⁵

This procedure, unlike *ex parte* reexamination, also requires an initiator to present a *prima facie* case of unpatentability. Two features offset these costs. First, the threat of estoppel, particularly for later filed challenges, would encourage a third party to fully develop the set of patentability issues reasonably pertaining to a patent prior to initiating a challenge. Second, limiting the issues to those raised by the parties benefits both sides and removes the uncertainty and delay associated with examination.

C. Design Analysis

The *21st Century Strategic Plan* identified twelve points of analysis for the design of a post-grant review system: (1) nature of proceedings; (2) timing of challenge; (3) timing of decision; (4) grounds for patent review; (5) standing to bring review proceeding; (6) nature of initial showing required of petitioner; (7) discovery and sanctions; (8) nature of evidentiary showing; (9) amendment of claims in review proceeding; (10) settlement (11) judicial review; (12) relation to

other post-grant proceedings.³⁶ This section discusses the proposal in terms of each of these twelve design points.

1. Nature of Proceedings

Both the NAS Study and the American Intellectual Property Law Association (AIPLA) have made constructive procedural suggestions, most of which this proposal takes up.³⁷ The post-grant *inter partes* proceeding would be initiated by a third party, and have limited discovery; be heard before a tribunal of APJs without examination to minimize delay and yield the predictability of trained legal experience; enlarge the scope of contestable issues to provide a comprehensive alternative to litigation; and match the levels of estoppel and evidentiary standards to the timing of the proceedings to encourage early patentability challenges.

Electronic communications and processing would be used throughout the proceeding. Correspondence, briefs, affidavits, other forms of evidence, and administrative documents would be conveyed to and from the USPTO electronically. This would accelerate the procedure, make publication of the proceedings timely and accurate, as well as provide an official record easily accessed through the USPTO's website, whose inherent integrity would safeguard file history for evidentiary review.

2. Timing of Review Proceeding

Post-grant *inter partes* proceedings would be divided into those initiated within one year of grant and those initiated after one year. The same procedural steps would be available within each proceeding with changes only in the scope of contestable issues, evidentiary standards, fee, and estoppel effects. Post-grant proceedings initiated within one year of patent or reissue grant would carry a lower fee and the lower level of estoppel.³⁸ Outside this one-year period, the post-grant proceeding would be for a higher fee with full estoppel,³⁹ although estoppel levels could be alternatively increased at a later temporal milestone, up to a five-year mark.

The proceeding would commence with a party filing a request for post-grant review with the USPTO and service of notice to the patent holder. The challenge would have to set forth a *prima facie* case for unpatentability of at least one patent claim. The patent owner would have an initial optional opportunity to demonstrate that the third party failed to make a *prima facie* case of unpatentability. If the USPTO found that a *prima facie* case had, in fact, been presented, the USPTO would order a post-grant review.

Procedurally, the patent owner would file arguments and any proposed narrowing amendments. This would be the single opportunity for the patent owner to amend or add any claims. The patent owner would be precluded from broadening claims or introducing new matter into the claims or disclosure. Any further amendments would only be introduced in a separate reissue or reexamination proceeding. The third party would have two months in which to supplement the post-grant review request based upon the proposed amendment. Evidentiary proceedings would commence, with each party submitting (and contesting) evidence to the USPTO. At the end of the evidentiary phase, both the patent owner and third party would present their evidence, arguments, and rebuttals before the BPA. Optional oral arguments would ensue, followed in turn by the Board's decision.

3. Time for Completing Review Proceeding

The post-grant review proceeding should proceed with special dispatch. A provisional maximum time frame for the entire proceeding, such as one year from the initiation date, may be prudent. However, this goal would be an aspiration rather than an absolute limit. The need for reliability and predictability over the years of patent term may trump the need for a few weeks or months early in the life of a patent.

4. Grounds for Patent Review That May Be Brought in Review Proceeding

Limiting the set of issues available to a challenger creates the incentive to choose more costly litigation that would be absent such limitations. Instead, policy favors the provision of a single forum for contesting all substantive patentability issues. Countering this is the potential for harassment engendered by the relative ease and minimal cost of initiating post-grant review proceedings. Therefore the post-grant review forum should be open to all issues for a limited time, such as one year.

According to this proposal, a post-grant review proceeding could be brought upon any patentability grounds not subject to estoppel. Requests within an initial period would be encouraged to quiet title by minimizing grounds estopped. Subsequent requests would safeguard against potential harassment by retaining full estoppel. Anyone initiating a review after the initial period would have increased incentive to fully identify all issues to be raised.

5. Standing to Bring Review Proceeding

The bifurcation of post-grant review proceedings would also provide a lower threshold for standing during the first year following grant. The policy favoring testing of patentability within the first year argues for allowing any third party to initiate post-grant proceedings during the initial period. Beyond the first year, the potential for patent owner harassment would suggest that standing be limited to parties who can prove economic or tangible interest in the outcome of such a proceeding. Because a post-grant review procedure is far more burdensome than *ex parte* reexamination and open to abuse, any requestor would have to identify the real party in interest.

6. Nature of Initial Showing Required of Third Party

Any third party challenge would require a *prima facie* showing of unpatentability of at least one claim. The potential cost and impact of *inter partes* proceedings on the patent owner demands this burden to avoid harassment. The patent owner could optionally rebut by showing that the third party failed to make a *prima facie* case. The USPTO could nevertheless order the post-grant review if it found that at least one *prima facie* claim had been made.

7. Discovery and Sanctions

In instances where one party, generally the patent owner, presented and relied on evidence other than publicly available documents to obtain a patent,⁴⁰ some limited form of discovery might be granted.⁴¹ For example, where one party produced an affidavit supporting patentability, the other party might be granted an opportunity to cross-examine the affiant by way of a deposition. If warranted, a party could also compel the production of evidence at issue but not in the record. An APJ would not necessarily be present at such proceedings, but such a proceeding would require approval of the APJs. Furthermore, the role of the USPTO in a post-grant review process would be

limited to adjudication. The third party and patent owner would present the issues to be resolved in briefs before the BPA.

8. Nature of Evidentiary Showing

Reasonable challenges must be encouraged to effectively quiet title. Ultimately, the outcome of a post-grant review proceeding depends upon the burden of evidence. The policy of testing the patentability of a patent's claims and reaching a predictable, reliable resolution in a timely fashion argue for a deliberate lowering of the evidentiary threshold to a preponderance standard during the first year following grant. In addition, there would not be a statutory presumption of validity. This lowering of the evidentiary threshold would greatly encourage early filing of a post-grant review proceeding.⁴² Claims still in effect after the first year following grant would be more rigorous and reliable.

9. Amendment of Claims in Review Proceeding

Fairness compels offering the patentee some form of amendment opportunity in response to the challenges of unpatentability. However, this is offset by the need for timeliness and minimization of abuse. A suggested balance would require the requestor of a post-grant review proceeding to set forth all arguments at the initiation of the proceeding, with additional issues introduced only for good cause at later time. In turn, the patent owner would be afforded one opportunity to amend the claims in the response to the issues set out by the requestor. Amendments after the initial response, if permitted, would only be allowed for good cause. This would settle the claims at issue rapidly and eliminate the potential for harassing iterative amendments and arguments. Should the owner need to further amend claims, the avenue of filing for reissue would remain available.

10. Settlement

In the interest of timeliness and efficiency, the post-grant review proceeding would be terminated based upon a proposed settlement by the patent owner in the nature of uncontested proposed amendments. The absence of an examination within the post-grant proceeding would likely result in the owner implementing the settlement by filing separately for reissue. Third party acquiescence would obviate involvement by the third party in the follow on reissue, and would apply the rigors of substantive examination to the proposed changes.

11. Judicial Review

A party seeking to overturn an adverse decision in a post-grant review proceeding would first request reconsideration by the Board of Patent Adjudication after pointing out alleged errors or interpretive differences. Should the Board issue an adverse decision after reconsideration, recourse could be had, as with existing law, to the Court of Appeals for the Federal Circuit.

12. Relation to Other Post-Grant Proceedings

While possible, the USPTO would generally disallow merger of post-grant review proceedings with other related proceedings, such as *ex parte* reexamination or reissue. The USPTO would likely stay any such related proceedings until the termination of the post-grant review to retain special dispatch within the post-grant review and to minimize the administrative burden in managing all such related proceedings.

V. SPECIFIC LEGISLATIVE PROPOSALS FOR IMPLEMENTATION

Inter partes reexamination law is codified at 35 U.S.C. 311-318. The following proposals would affect the necessary legislative changes to metamorphose *inter partes* reexamination into a post-grant review system.

Section 311 would be amended to bifurcate the "any time" provision into separate time periods for each of two separate procedures.⁴³ A continued limited post-grant review procedure could be initiated more than one year after patent grant or reissue, whereas a more robust review proceeding would be available within one year from date of patent grant review. The fee requested in the first year would be less than that requested after one year, and the issue and collateral estoppel preclusion provisions would be reduced in scope for the post-grant proceeding requested within the first year. The criteria for challenging patentability would be expanded in post-grant review proceedings to allow all issues related to patentability to be contested.⁴⁴ The real party in interest requirement would remain.⁴⁵

Section 312 would change the standard for ordering an *inter partes* proceeding from a substantial new question of patentability to *prima facie* unpatentability of at least one patent claim.⁴⁶ Should the USPTO decide not to order an *inter partes* proceeding, the decision would be final and not open to appeal.⁴⁷

Section 313 would restrict the scope of a post-grant *inter partes* proceeding to the challenged claims, although the post-grant proceeding could be ordered on a single claim.⁴⁸

Section 314 would assign post-grant *inter partes* proceedings to the Board of Patent Adjudication conducted by panels of three APJs.⁴⁹ The requirement for special dispatch would remain.⁵⁰ The *inter partes* proceedings would allow for limited amounts of discovery to be carefully managed by the APJs. The limited nature of administrative patent proceedings would suggest that trial type proceedings between two opposing parties would not be permitted. An administrative patent judge must grant motions for specific discovery requests.

BPA control over the proceeding would eliminate reference to examination under 35 U.S.C. 132 and 133.⁵¹ An opportunity for a single amendment would be provided, which, as with reexamination in general, could not enlarge the scope of the claims.⁵² The third party would be given two months to respond following a patent owner's reply to any communication in the proceeding.⁵³

Section 315 would limit appeals to the Court of Appeals for the Federal Circuit.⁵⁴

Section 316 would remain the same,⁵⁵ while Section 317 would prohibit initiating other reexaminations to ensure special dispatch.⁵⁶ Similarly, section 317 would proscribe merger with other proceedings to avoid enlarging the scope of issues and the provision relating to unavailable prior art would be eliminated.⁵⁷

Section 318 would allow the USPTO to stay post-grant review proceedings where warranted in the interests of justice.⁵⁸ Settlements would be permitted to resolve issues expeditiously. The USPTO would still retain the authority for Director ordered reexaminations if issues remained after any such settlement.

Eligibility for patents subject to post-grant review proceedings would include all patents in force at the date of implementation.⁵⁹ However, patents one year or more past grant date would be subject to the second tier fee and issue preclusion effect. There would not be a transition provision

permitting requestors to enjoy the benefits of the lower fee and issue preclusion features for patents that were more than one year old as of the new law's effective date.

VI. CONCLUSION

This Article proposes a metamorphic evolution of *inter partes* reexamination, from a single track, time consuming procedure that severely limits subsequent validity checks, into a bifurcated, responsive, more legally precise post-grant *inter partes* review practice, thus increasing availability of subsequent validity checks.

Existing administrative challenges to patent validity weigh heavily toward minimizing harassment of patent holders and away from encouraging challenges. But challenges are the most effective means for quieting the title of patent holders and ought to be encouraged early in a patent's life when uncertainty regarding validity is greatest and investment is least.

The proposed post-grant review proceeding would improve patent quality, reduce the cost of confirming patentability, and increase efficiency, resulting in a more predictable, reliable, and timely confirmation of patentability. Requiring a *prima facie* case of unpatentability for initiation would minimize the potential for harassment. Quieting title with early requests would be encouraged by a lower fee, universal availability, an enlarged scope, and minimized estoppel effects. After the first year, the proceeding would have a higher fee, be available only to parties with a significant economic or proprietary interest in the validity of a patent, and apply full estoppel. Conducting the proceeding before three APJ panels would enhance the process's reliability and predictability, as would the total electronic conveyance and maintenance of records and the availability of limited forms of discovery.

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FOOTNOTES:

1. The *21st Century Strategic Plan* identified the need for applicants and the USPTO to share responsibility in the patent process. One action the plan identified was to "make patents more reliable by proposing amendments to patent laws to improve a post-grant review of patents." USPTO, *The 21st Century Strategic Plan* 13 (2003) [hereinafter USPTO Plan], available at http://www.uspto.gov/web/offices/com/strat21/stratplan_03feb2003.pdf.

2. USPTO, Round Table Meeting: The Equities Of *Inter Partes* Reexamination Proceedings (Feb. 17, 2004) [hereinafter *Inter Partes* Round Table] (commenting on the USPTO's *inter partes* experience to date and making recommendations for a reexamination procedure), available at http://www.uspto.gov/web/offices/pac/dapp/opla/comments/reexamproceed/round_tbl_transcript.pdf.

3. Nat'l Acad. of Scis., *A Patent System for the 21st Century* (Stephen A. Merrill et al. eds., forthcoming 2004) [hereinafter NAS Study], available at <http://www.nap.edu/books/0309089107/html>.

4. See, e.g., John Perry Barlow, *The Economy of Ideas: A Framework for Rethinking Patents and Copyrights in the Digital Age*, *Wired*, Mar. 1994, available at <http://www.wired.com/wired/archive/2.03/economy.ideas.html>.

5. See NAS Study, *supra* note 3, at 22-29 (discussing the surge in patent activity).

6.

An *inter partes* reexamination proceeding that is filed soon after a patent issues and that brings forth non-removable art may be a blessing in disguise because it will focus the patentee in other areas and save resources in that regard. Such a decision would be especially important for small entities with more limited resources.

Inter Partes Round Table, *supra* note 2, at 10-11 (remarks by Michele Cimbala, Esq., Sterne, Kessler, Goldstein & Fox PLLC).

7. See 35 U.S.C. 122(c) (2000).

8. *Id.* 122(c).

9. 37 C.F.R. 1.99 (2004).

10. *Id.* 1.99(d).

11. *Id.* 1.292.

12. See USPTO, *Post-Grant Review of Patent Claims*, at <http://www.uspto.gov/web/offices/com/strat21/action/sr2.htm> (last modified Nov. 23, 2003) [hereinafter *USPTO, Post-Grant Review of Patent Claims*] ("By using the Office's expertise, [post-grant] challenges could be adjudicated for less money and in less time than by civil suit. This will enhance the patent system as a whole by strengthening those patents that survive the review and eliminating those patents which contain unpatentable subject matter.").

13. *Id.*

14. See 35 U.S.C. 302-307.

15. See *id.* 307.

16. 35 U.S.C. 315(b) (2000 & Supp. 2003). This section reflects the amendment introduced by the 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, 116 Stat. 1758 (2002).

17. See, e.g., NAS Study, *supra* note 5, at 54-56 (discussing the length of patent pendency).

18. *Inter Partes* Round Table, *supra* note 2, at 13 ("By their nature, they [current estoppel provisions] detract from the attractiveness of using *inter partes* reexamination as a means to challenge a patent.") (remarks by Michele Cimbala, Esq., Sterne, Kessler, Goldstein & Fox PLLC).

19. See USPTO, Post-Grant Review of Patent Claims, *supra* note 12 ("An expedited process providing for full adjudication by the Board of unpatentability of claims would help assure that those potentially affected by the economic burdens of patents with invalid claims can obtain prompt redress.").

20. *Inter Partes* Round Table, *supra* note 2, at 53-54 ("Predictability, reliability, and timeliness. These are really more than slogans. There are really some concrete things that need to be done.") (remarks by Harold Wegner, Esq., Foley & Lardner LLP).

21. *Id.* at 77 ("After some fixed period, whether it's nine months, one year, or two years, any reexam commenced after that time would have a statutory presumption of validity.") (remarks by Harold Wegner, Esq., Foley & Lardner LLP).

22. NAS Study, *supra* note 3, at 22-29 (discussing the surge in patent related activity).

23. Harold Wegner, Open Review Post-Grant Patent Challenges, (June 1, 2004) (unpublished manuscript on file with authors).

24. NAS Study, *supra* note 3, at 34.

25. 35 U.S.C. 311(a) (2000).

26. *Inter Partes* Round Table, *supra* note 2, at 54 ("People are overwhelmed. They're just overwhelmed. You've got to get a super group. You've got to ... have a real cadre of accountable lawyer-examiners to handle it. Whether they're administrative patent judges or

whether they're just some great lawyers, or whatever else, you've got to do that for predictability.") (remarks by Harold Wegner, Esq., Foley & Lardner LLP).

27. *Id.* at 56 ("You take whatever resources you need and have all electronic filing of reexams, immediately. Everything's electronic. You get rid of the scanning, get rid of the paperwork, everything's electronic.") (remarks by Harold Wegner, Esq., Foley & Lardner LLP).

28. See USPTO, Post-Grant Review of Patent Claims, *supra* note 12.

29. *Inter Partes* Round Table, *supra* note 2, at 30.

Congress has interjected and raised the cost of - \$ 200,000 to \$ 400,000 - the cost of any subsequent litigation to find out whether or not you knew about it and what your present intent was. It hurt the ability of the process to be considered really by the patent bar. And the patent bar, frankly, is not going to recommend to its clients that they proceed if they don't know and cannot tell the client what they're giving up and what the true costs are.

Id. (remarks by Lance G. Johnson, Esq., Roylance Abrams, Berdo and Goodman, LLP).

30. 35 U.S.C. 315(c).

31. *Inter Partes* Round Table, *supra* note 2, at 40-41 ("Who knows what the scientists have in their files back in the office of which they've filed ten years ago and don't remember? That's a real problem for us.") (remarks by Michele Cimbala, Esq., Sterne, Kessler, Goldstein & Fox PLLC).

32. *Id.* at 25 ("As long as *ex parte* reexamination proceedings are an available alternative, I believe they will be more attractive. Estoppel provisions are not in place. They allow anonymity. And multiple reexaminations can be an effective strategy, which, in effect, creates something of an *inter partes* proceeding.") (remarks by Beth Weimer, Esq., Morgan, Lewis & Bockius LLP).

33. Wegner alternately proposes deferring the higher estoppel burden for five years. Wegner, *supra* note 23.

34. *Inter Partes* Round Table, *supra* note 2, at 77 ("There has to be an encouragement to file early; because if I've got a killer way of destroying a patent, as long as I act unilaterally I can sandbag that prior art or that issue and quietly develop my invention and have a shared monopoly.") (remarks by Harold Wegner, Esq., Foley & Lardner LLP).

35. Responding to what search would be required for *inter partes* proceedings, one party commented:

At least a search of the prior art that would be equivalent to the search you would expect a patent examiner to undertake, because I think that the worst situation would be that the examiners themselves find art that you didn't submit, but then you disagree with what the examiner does with that, because I think that any court would think that if the examiner found that you could have as well.

Id. at 43 (remarks by Beth Weimer, Esq., Morgan, Lewis & Bockius LLP).

36. USPTO Plan, *supra* note 1; see USPTO, Post-Grant Review of Patent Claims, *supra* note 3.

37. A Patent System for the 21st Century suggests the following post-grant open review procedure: (1) any third party can initiate; (2) preponderance of evidence standard; (3) only the initiator would pay USPTO fee, but each party would bear own attorney fees; (4) patent file history available for the procedure; (5) conducted by an APJ; (6) limited discovery; (7) would substitute for all third party reexamination proceedings; (8) validity challenged on any grounds; (9) matters previously considered by the examiner could be reviewed; (9) outcome would be confirmation, cancellation or amendment of each claim in dispute. NAS Study, *supra* note 3, at 79-80.

Similarly, Charles Van Horn made the following recommendations at the USPTO roundtable on behalf of the American Intellectual Property Law Association: (1) initiated within nine months of grant; (2) grounds limited to 35 USC 102, 103, 112, first and second paragraphs; (3) direct evidence by declaration subject to cross examination by deposition; (4) assigned to an APJ; (5) Rights of appeal as in current *inter partes* proceeding; (6) no statutory estoppel; (7) final USPTO decision within one year. *Inter Partes* Round Table, *supra* note 2, at 64-65 (remarks by Charles Van Horn, Esq., Finnegan, Henderson, Farabow, Garrett & Dunner, LLP).

38. Estoppel would be limited to issues actually raised during the course of the proceeding. See Part IV.A *supra*.

39. Estoppel would cover both issues actually raised or that could have been raised in the proceeding. See Part IV.A *supra*.

40.

The inequity arises when there's an imbalance in the bringing of this evidence through some glitches in the rules. For example, as I pointed out, when the third-party requester takes issue with critical facts such as inherent anticipation, incidental, rudimentary facts that are not stated in the prior art that elude review, and that, I might add, are not picked up in assessing

the level of ordinary skill in the art by the examiners or they don't possess the level of ordinary skill to understand such rudimentary facts they've reviewed.

Inter Partes Round Table, *supra* note 2, at 37-38 (remarks by Miles Dearth, Esq., Lord Corporation).

41.

For example, suppose a third-party requester successfully initiates an *inter partes* reexamination and the patentee rebuts the third-party requester's case by filing an affidavit. Such affidavits are not subject to the same scrutiny that they would be in federal court, including the lack of an opportunity for cross-examination. As a result, the examiner may be swayed by an affidavit even though the affiant's knowledge, qualifications, and skills have not been tested through a cross-examination process. In a later civil action, the third-party requester may be estopped from challenging the conclusions of the affiant.

Id., *supra* note 2, at 16-17 (remarks by Collin Webb, Esq., CNH America and American Bar Association Subcommittee for Patent Reexamination and Opposition).

42. See *id.* at 25 (remarks by Beth Weimer, Esq., Morgan, Lewis & Bockius LLP).

43. See 35 *U.S.C.* 311 (2000) ("Any third party requester at any time may file a request for *inter partes* reexamination by the office of a patent...") (emphasis added).

44. See *id.* 301(a) (currently allowing *inter partes* reexamination based on "any prior art cited under the provision of section 301").

45. See *id.* 301(b)(1) (currently requiring identity of the real part of interest).

46. See *id.* 302 (currently stating that the standard is whether "a substantial new question of patentability affecting any claim if the patent concerned is raised by the request").

47. See *id.* 302(c) (determination by Director is final and non-appealable).

48. See *id.* 313 (currently restricting scope to the determination of the substantial new question of patentability affecting a claim of a patent).

49. See *id.* 314 (currently allowing the Director to establish regulations for reexamination per 35 *U.S.C.* 132(b)).

50. See id. 314(c) ("Special dispatch.").

51. See id. 314(a) (referencing 35 U.S.C. 132 and 133).

52. See id. 314(a) (currently permitting amendment that would not enlarge the scope of the patent).

53. See id. 314(b)(a) (currently requiring response within thirty days of patent owner's response).

54. See id. 315 (referencing ability to appeal to Board of Patent Appeals and Interferences as well as the United States Federal District Court for the District of Columbia).

55. See id. 316(a) (currently requiring the Director to issue a certificate once the time for appeal is expired or any appeal proceeding has terminated).

56. See id. 317 (currently preventing third parties from filing subsequent requests for *inter partes* reexamination once an order for *inter partes* reexamination has been issued or once a final decision has been entered against the third party who unsuccessfully challenged the validity of the patent in civil litigation or *inter partes* reexamination).

57. See id. 317(b) (currently stating that "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").

58. See id. 318 (currently permitting patent owner to stay any pending litigation involving an issue of patentability once an order for *inter partes* reexamination of a patent has been issued).

59.

First, and most importantly, and as previously recognized, the 1999 legislation should be made retroactive so that it would apply to patents filed before November 29, 1999, as well as after... . In fact, I believe that's the single change that needs to be made to have the system used more frequently.

Inter Partes Round Table, *supra* note 2, at 59 (remarks by Nancy Linck, Senior Vice President and General Counsel, Gullford Pharmaceuticals).