

Reexamining reexaminations

Synopsis

The United States Patent and Trademark Office (USPTO) recently published its “Report to Congress on *Inter Partes* Reexamination.” An *inter partes* reexamination is a procedure for reviewing the validity of issued U.S. patents. The procedure was introduced in November 1999 with the hope of reducing the number of patent litigations, but is seldom utilized. Based on the USPTO report, this article addresses the status of the *inter partes* reexamination procedure, and considers the changes required to render this procedure more useful.

Options to challenge the validity of a U.S. patent

A company, which is aware of a U.S. patent claiming a technology potentially used in its products or commercial activities, may consider challenging the patent’s validity. Unfortunately for the company, the available options are limited and not always attractive. First, the company could consider seeking a declaratory judgment of invalidity from a federal district court. This option, however, is restricted to situations where the company is under a reasonable apprehension of being sued by the patent owner, typically as a result of receiving a threatening letter from the patent owner. Even if available, a declaratory judgment action may be costly and risky because such actions often become full fledged patent litigations, with the patentee counter-suing for infringement, and the parties quickly sinking into the dreaded discovery phase of U.S. litigation.

Second, the company could consider requesting an interference and attempt to invalidate the patent. This option, however, is available through the USPTO only when (1) the company has a pending application (or a patent that can be subject to a reissue

application) which supports an allowable interfering claim, and (2) the company can present (or had previously presented) an interfering claim within one year of the issue date of the patent, or, in some circumstances, within one year of the publication date of the application from which the patent matured. An interference can be requested from a district court, but only in the rare cases involving two interfering issued patents.

Furthermore, certain parties try to avoid district court interferences due to the inexperience of certain district court judges in handling patent matters, in general, and interference matters in particular.

Third, the company could turn to one of two existing reexamination procedures handled within the USPTO: *ex parte* and *inter partes* reexaminations. Introduced in 1980 to serve as an expedited, low-cost alternative to patent litigation, *ex parte* reexaminations allow third parties to challenge the validity of issued patents based on patents and printed publications. The procedure, however, generally excludes third party requesters from participating in the proceeding beyond the initial request. As a result, *ex parte* reexaminations do not provide an attractive alternative and are infrequently used. To address the issue of participation, the *inter partes* reexamination procedure was created in 1999 to permit third party requesters to participate in the examination and appeal stages of the proceeding.

***The inter partes* reexamination procedure**

An *inter partes* reexamination permits third-party requesters to challenge the validity of issued patents based on patents and printed publications that raise a substantial new question of patentability. Unlike the situation for *ex parte* procedures, third-party requesters can submit written comments each time the patent owner files a response to an

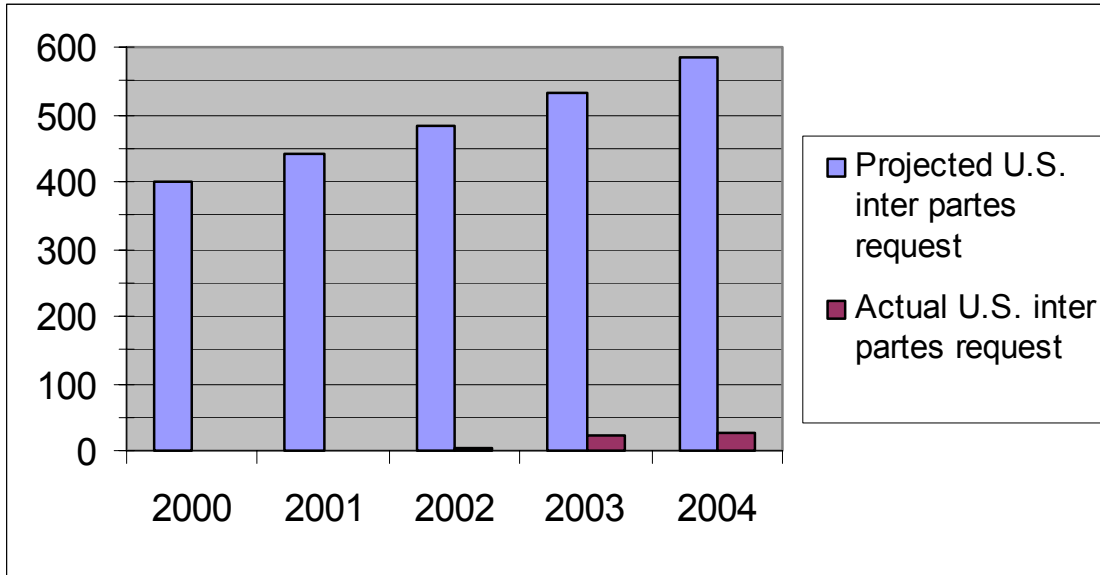
Office Action on the merits issued by the USPTO. Third-party requesters can also appeal an adverse decision of the patent examiner, and participate in the patent owner's appeals.

The law establishing the *inter partes* reexamination also introduced estoppel provisions adverse to third-party requesters (not provided in *ex parte* reexaminations). Specifically, if unsuccessful in the *inter partes* reexamination proceeding, the requester would be estopped from later asserting in a litigation, or in a subsequent *inter partes* reexamination, the invalidity of any claim finally determined to be valid and patentable on a ground the third-party requester raised ***or could have raised*** in the *inter partes* reexamination. The requester would also be estopped from later challenging any “fact” determined in the *inter partes* reexamination.

A status report on the use of *inter partes* reexaminations

Five years after their introduction, the USPTO reports that *inter partes* reexaminations are “rarely used.” According to the USPTO report, significantly fewer requests for *inter partes* reexamination were filed than were anticipated. The USPTO expected to receive approximately 400 *inter partes* reexamination requests in the first year, with an increase of ten percent per year as more patents became eligible each year. As illustrated in the chart below, however, the actual number of requests is disappointing. In the five years that the procedure has been available, only 53 *inter partes* reexamination requests have been filed.

FIG 1. (inter partes request v. USPTO projections)



*Statistics Obtained from the USPTO Report to Congress on Inter Partes Reexamination.

To better understand the under-utilization of *inter partes* reexaminations, the USPTO sponsored a public round table discussion and solicited comments from interested parties. The discussion and comments indicated that the most frequently identified deterrents are the estoppel provisions. As noted above, these provisions prohibit a third party from asserting in a subsequent litigation the invalidity of a patent claim, which was determined to be patentable during an *inter partes* reexamination proceeding, based on any issue which was raised or “could have been raised” during the *inter partes* reexamination proceeding, except for “newly discovered prior art unavailable to the third-party requester.” The estoppel provisions do not clearly establish how extensive a prior art search must be in order to avoid the “could have been raised” estoppel or to satisfy the exception that the prior art was “unavailable” to the third party. The statute leaves open the question of whether the “unavailable” standard applies to

prior art that was not discovered in a search performed by the third party, or only applies to prior art that was not published at the time the *inter partes* reexamination request was filed. The lack of procedural mechanisms, such as discovery and cross-examination, that would be available in litigation “has apparently resulted in challengers being unwilling to invoke *inter partes* reexamination and risk its estoppel effect.”

Other inequities of the *inter partes* reexamination procedure were identified as deterring third parties from requesting this procedure: (1) a third party requester is precluded from presenting input if the patent owner doesn’t respond to Official Actions. (2) If the patent owner does respond, the third party must hastily submit its comments to meet a 30 day deadline, which can leave insufficient time, for example, to retain an expert and submit an affidavit. (3) A third party is only allowed to challenge a patent on the basis of prior art patents and printed publications. Validity issues related to enablement, written description, or prior use or sale cannot be addressed. (4) The procedure does not apply to patents issued from applications filed before November 29, 1999. Patents issued prior to that date and patents issued from applications pending prior to that date are excluded from eligibility for *inter partes* reexamination.

The USPTO recommendations

In view of the under-utilization of *inter partes* reexaminations, the USPTO is recommending that the patent statute be amended to render the *inter partes* reexamination procedure a more attractive post-grant mechanism for testing the validity of patents. In particular, the USPTO advocates clarifying the requirement for third parties to raise all issues that “could have been raised” except for new prior art that was “unavailable.” In

addition, the USPTO favors permitting the third-party requester to present input on Office Actions even if the patent owner fails to respond so as to provide an independent right for the requester to comment for each Office Action generated by the USPTO. An extension of the third-party requester's comment period to be more than 30 days, a period that has been identified as unduly burdensome on the third-party requester, is also recommended.

The USPTO also supports the development and enactment of a new "post-grant review" process, as an alternative to - or ultimately a replacement for- *inter partes* reexaminations. This new process would be akin to the European opposition proceeding, with a limited period for requesting the post-grant review of 9 or 12 months after patent grant. The review would be conducted by a panel of administrative patent judges within the USPTO and may extend to all invalidity issues, or may exclude some bases such as best mode, public use/sale or any other ground that requires extensive discovery and use of expert witnesses. Inequitable conduct issues would probably not be included.

Various versions of such "post-grant review" are being considered and support for it is growing among influential groups, including the American Intellectual Property Law Association (AIPLA), the Intellectual Property Owners Association (IPO), and the American Bar Association (ABA). A number of questions are being debated, including whether the identification of the real party of interest would be required, what would be the possible bases for requesting the proceeding, what would be the evidentiary threshold for triggering the proceeding, what would be the scope of discovery, what would be the cost of the proceeding and the allocation to the parties, what estoppels would apply, could the proceeding terminate after settlement by the parties, which courts would have

appellate jurisdiction. A bill was introduced last year in the U.S. Congress proposing such a post-grant opposition procedure. The proposed bill was referred to the House Subcommittee on Courts, the Internet, and Intellectual Property last November and is expected to resurface for debate this session. Until a new law is enacted, however, the options available for challenging a U.S. patent will remain limited and unattractive.

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