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Post-Grant Patent Invalidation in China and in the United States, Europe, and Japan: A Comparative Study

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INTRODUCTION

Pfizer's Chinese patent for Viagra was issued in late 2001.[1] Shortly thereafter, a number of Chinese companies filed requests in China's State Intellectual Property Office (SIPO) to invalidate the patent.[2] Viagra, one of the most successful prescription drugs ever launched in the United States, generates about one and a half billion dollars of annual sales in the U.S.[3] With China's market size, patent protection for Viagra in China means millions of dollars for Pfizer. Because of the high stakes involved, this case took much longer time than usual.[4] Finally, in early July 2004, the Patent Reexamination Board of SIPO declared the Chinese patent for Viagra invalid.[5] Pfizer was "extremely disappointed" with this decision[6] and has filed an appeal to the People's Court.[7]

The protection of intellectual property rights (IPR) in China has been an important issue for foreign companies that want to tap into China's vast market, as well as for IPR holders in China. The still relatively underdeveloped Chinese legal system and the lack of transparency in the legal proceedings are sources of concern for IPR holders. In China, a civil law country, court decisions

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1 *See* Liu Li, *Patent on Viagra Faces Challenge*, China Daily (Sept. 29, 2004), *at* http://www.chinadaily.com.cn/english/doc/2004-09/29/content_378513.htm.

2 Press Conference, Jing-chuan Wang, Director of SIPO (China Central Television (CCTV-9) broadcast, Apr. 12, 2004) (on file with author).

3 *See, e.g.*, Al Branch, Jr., *Competition for Viagra*, PHARMACEUTICAL EXECUTIVE, *at* http://www.pharmexec.com/pharmexec/article/articleDetail.jsp?id=36725 (Nov. 1, 2002).

4 Wang, *supra* note 2.

5 *See* Guo Nei, *Viagra Patent Found Invalid*, China Daily (July 9, 2004), *at* http://www.chinadaily.com.cn/english/doc/2004-07/09/content_346788.htm.

6 *See* Intell. Prop. L. Bull., *Pfizer, Trade Group Protest China's Overturn of Viagra Patent* (July 19, 2004), *at* http://www.iplawbulletin.com/cgi-bin/absolutenm-/anmviewer.asp?a=1780.

7 *See* Nicole Ostrow, *Pfizer Appeals China's Decision to Overturn Patent on Viagra*, BLOOMBERG NEWS SERVICE, *at* http://quote.bloomberg.com/apps-/news?pid=10000087&sid=aEFUVtf_a498&refer=top_world_news (Sept. 28, 2004).

generally have no binding authority[8] and are not regularly published as legal documents.[9]

After China's entry into the World Trade Organization (WTO) on December 11, 2001,[10] however, China is expected to play by the WTO rules regarding IPR, mainly the Trade-Related Aspects of Intellectual Property Rights (TRIPS).[11] One of the TRIPS requirements is that the resolution process of IPR disputes be transparent.[12] On November 5, 2003, the Beijing High People's Court, in a dramatic move, started to make available on the Internet judicial decisions on IPR cases handled by courts at various levels in Beijing.[13] As of March 2004, more than 300

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[8] *See Tianjin Court Issues China's First Legal Precedents*, XINHUA NEWS AGENCY, *at* http://www.china.org.cn/english/2003/Aug/71445.htm (Aug. 1, 2003). But as China's Xinhua News Agency reported, the Higher People's Court of Tianjin, in a historical move, had issued three cases to which lower courts can refer in making judgments. This is the first time a Chinese higher court has issued legal precedents. *Id.*

[9] The Supreme People's Court, the highest court in China, publishes some of its judgments in the Supreme Court Gazette. These judgments have no binding authority. However, there presently is a tendency in China to try to give them some binding authority, largely as a result of the criticism of the inconsistency of courts' statutory interpretations. Email to the author from Hon. George Q. Fu, Managing Partner, Watson & Band Law Offices, Shanghai, China (Feb. 4, 2004) (copy on file with author).

[10] *See Members and Observers*, *at* http://www.wto.org/english/thewto_e/whatis_e-/tif_e/org6_e.htm (last visited Oct. 22, 2004).

[11] *See generally Frequently Asked Questions about TRIPS*, *at* http://www.wto.org/english/tratop_e/trips_e/tripfq_e.htm#Who'sSigned (last visited Oct. 22, 2004) (stating that the TRIPS agreement applies to all WTO members).

[12] *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M 81 (1994) pt. V, art. 63(1), *available at* http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm (last visited Oct. 22, 2004) [hereinafter TRIPS Agreement]. "Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them." *Id.*

[13] *See Court Decisions Go Online in Beijing*, XINHUA NEWS AGENCY, *at* http://www.china.org.cn/english/government/79383.htm (Nov. 6, 2003). All of the judicial documents of the first and final judgments on IRP cases will be uploaded to the website http://bjgy.chinacourt.org. *Id.* Confidential information or trade secrets that form part of the evidence of the IPR proceedings, however, are likely not to be published, in keeping with China's Civil Procedure Law. *See* art. 66 of the Civil Procedure Law of

court decisions have been posted on that website, including patent, trademark, copyright, unfair competition, and technology contract cases.[14] Among the patent cases posted, about 50% are appeals of patent invalidation decisions by the Patent Reexamination Board of SIPO.[15]

With this new development, it is likely that the final decision on Pfizer's appeal of the invalidation of the Viagra patent will be posted on the Internet, and one can examine it to see whether the interests of Pfizer (and those of the Chinese companies) are fairly protected. Until the case is published, however, the reader may wonder: On what grounds can a person file a request for invalidation of a patent in China?[16] More generally, what is the law and practice like in China regarding post-grant patent invalidation? What are the differences and similarities between China's patent invalidation proceeding and those of the United States, Europe and Japan?[17] Why do we need a post-grant patent

China (English translation), *available at* http://www.enonline.sh.cn/ILlook.asp?id=10285 (last visited June 20, 2004).

[14] *See* http://bjgy.chinacourt.org/cpws/index.php (last visited Nov. 19, 2004).

[15] *See id.* Readers familiar with the lack of usage of the American post-grant reexamination proceedings, might ask why China's patent invalidation procedure is so frequently used—50% of the courts' cases are about appeal of invalidation decisions? In reality, the frequency of usage is much lower. *See infra* Part II.G. The high percentage is due to the fact that the Beijing Intermediates Courts are the designated courts for appeals of SIPO invalidation decisions. *See infra* notes 56–57 and accompanying text.

[16] It is not clear on exactly what grounds the Chinese companies had challenged the Viagra patent, but according to a leading official at SIPO, the patent had insufficient technological disclosure. *See* Intell. Prop. L. Bull., *China Defends Decision to Revoke Viagra Patent* (Sept. 7, 2004), *at http://www.iplawbulletin.com/cgi-bin/absolutenm/anmviewer.asp?a=2109&z=13*. Such a ground, which largely relates to the written description and/or enablement requirements in the United States, would not have been a valid ground for invalidating a patent in the United States, where the patentability issues considered during reexamination are typically limited to novelty and obviousness. *See infra* notes 265, 335 and accompanying text; *see also infra* Part II.B for more details about the grounds for invalidation in China, which are broader than in the United States.

[17] The law regarding post-grant patent invalidation, also known as opposition, reexamination, or revocation proceedings—depending on the country—has been very much in flux in recent years. The United States, Japan, and China all amended relevant patent invalidation procedures in recent years. *See infra* Parts II–III. In the United States, there are ongoing discussions of reform. *See generally* Fed. Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* 4, *at* http://www.ftc.gov/os/2003/10/innovationrpt.pdf (Oct. 2003) [hereinafter *FTC Report*];

invalidation system, and what essential features should a good one have? This paper attempts to address these questions. A better understanding of the Chinese Patent Invalidation proceeding, particularly in comparison with the counterpart proceedings of the major Western countries, should help multinational companies like Pfizer to better protect their patent rights in China by adopting appropriate patent procurement and protection strategies.

Part I of this paper provides as background a brief account of the development of IPR protection in China, particularly patent protection. In Part II, the patent invalidation procedure in China is discussed. Part III introduces the patent invalidation systems in the trilateral patent offices of Japan, the European Patent Convention ("EPC"), and the United States. In Part IV, a brief discussion of a desirable post-grant invalidation system is presented, followed by a comparison of several key features of the Chinese system with their counterparts in the trilateral offices.

I. PATENT LAW DEVELOPMENT IN CHINA AFTER 1978

This section first briefly discusses the history of IPR legislation in China. It then introduces the Chinese Patent Law, particularly the patentability provisions, which are important to the discussion of the Chinese patent invalidation system in Part II. Finally, this section discusses the channels available for IPR dispute resolution in China, including the jurisdiction for patent invalidation proceedings.

A. Brief History of IPR Legislation in China

Over its long history, China did not develop a sustained indigenous intellectual property protection system, partly due to the character of its political culture, despite the fact that China's civilization was, for centuries, one of the world's most sophisticated, culturally, scientifically, and technologically.[18]

Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1 (1997).

[18] *See* WILLIAM P. ALFORD, TO STEAL A BOOK IS AN ELEGANT OFFENSE: INTELLECTUAL PROPERTY LAW IN CHINESE CIVILIZATION 2–3 (1995).

Attempts at the turn of the twentieth century to introduce European and American intellectual property law to China were unsuccessful.[19] After its founding in 1949, the People's Republic of China (PRC) began to establish an intellectual property protection regime based on the Soviet model.[20] The fledgling intellectual property laws, however, were decimated, together with the entire legal system, by the Cultural Revolution of 1966–1976.[21]

In 1978, China adopted the open-door policy.[22] The next twenty years witnessed a dramatic cultural, economic, and political transformation in the Chinese society, as well as "a remarkable burst of legislative activity."[23] Today, some of China's laws, including intellectual property (IP) laws, are rather close to those of developed Western nations.[24] China has promulgated a full spectrum of IP-related laws and regulations, including, *inter alia*, Patent Law, Trademark Law, Copyright law, and Law Against Unfair Competition.[25] These specific IP laws, together with the Constitution, the General Principles of Civil Law, the Civil Procedure Law, the Criminal Law, etc., form a complete system of IPR protection in China.[26]

B. The Patent Law of China; Patentability Requirements

The Patent Law of China ("Patent Law") was first promulgated on March 12, 1984.[27] It has since undergone two major revisions:

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19 *See id.*

20 *See id.* at 56–63.

21 *See id.* at 63–65.

22 *See* Center for International Development, *China Summary*, *at* http://www.cid.harvard.edu/cidtrade/gov/chinagov.html (last updated Jan. 2004).

23 *See, e.g.*, Jerome A. Cohen, *The Chinese Legal System: A Primer for Investors*, 17 N.Y.L. SCH. J. INT'L & COMP. L. 345, 346–47 (1997).

24 *See generally* Michael N. Schlesinger, *Intellectual Property Law in China: Part I—Complying with Trips Requirements*, 19 NO. 1 E. ASIAN EXECUTIVE REP. 9 (1997) (stating that "China is in substantial compliance with the TRIPS provisions on trademarks, patents and copyrights . . . .").

25 *See, e.g.*, Ping Zhang, *The Development of China's Intellectual Property Protection System*, CASRIP NEWSLETTER (Center for Advanced Study and Res. on Intell. Prop., Seattle, WA.), Spring/Summer 1998, *at* http://www.law.washington.edu/casrip-/newsletter/newsv5i2zhang.html.

26 *Id.*

27 *See* State Intell. Prop. Office of the P.R.C., *Patent Law of the People's Republic of China*, http://www.sipo.gov.cn/sipo_English/flfg/zlflfg/t20020327_33872.htm (last

the first was in 1992,[28] and the second in 2000.[29] Implementing regulations were also promulgated.[30] Among China's IP laws, the Patent Law is considered the closest to being in complete compliance with TRIPS; any deviations are relatively minor.[31]

Under the current Patent Law of China, there are three types of patents: patents for inventions, utility models and designs.[32] According to the Implementing Regulations of the Patent Law ("Implementing Regulations"), "invention" means any new technical solution relating to a product, a process or improvement thereof;[33] "utility model" refers to any new technical solution relating to the shape, structure, or combination thereof, of a product that is fit for practical use;[34] and "design" refers to any new design of the shape, pattern, color, or a combination thereof, of a product, which creates an aesthetic feeling and is fit for industrial application.[35]

amended Aug. 25, 2000) [hereinafter Chinese Patent Law]. The author would like to caution the reader that the English translations of Chinese laws, including but not limited to IPR-related laws, which are available in books or on the internet, often contain inaccuracies or even mistakes, and therefore do not always accurately reflect the original meaning of the laws. The reader is strongly advised not to rely solely on these English translations as legal authority in "real-life" situations, but to obtain advice from counsel well-versed in the relevant laws.

[28] *See* Decision of the Standing Comm. of the Nat'l People's Cong. on Amending the Patent Law of the People's Republic of China, Laws of the People's Republic of China 1990–1992, Science Press, 1993, 501–18. The amended law became effective January 1, 1993. *See id.*

[29] For an English translation of the current Patent Law of China, see Chinese Patent Law, *supra* note 27.

[30] *See* State Intell. Prop. Office of the P.R.C., *Implementing Regulations of the Patent Law of the People's Republic of China*, http://www.sipo.gov.cn/sipo_English-/flfg/zlflfg/t20020327_33871.htm (effective July 1, 2001) [hereinafter Implementing Regulations].

[31] *See* Schlesinger, *supra* note 24, at 13–14 ("China has made great progress in recent years in creating a modern patent regime, one that both conforms with international intellectual property norms and complies with most of the major provisions of TRIPS on patents.").

[32] *See* Chinese Patent Law, *supra* note 27, art. 2 ("In this Law, 'inventions-creations' mean inventions, utility models and designs.").

[33] Implementing Regulations, *supra* note 30, Rule 2(1).

[34] *Id.*, Rule 2(2).

[35] *Id.*, Rule 2(3).

Regarding patentable subject matter, Article 5 of the Patent Law stipulates that "[n]o patent right shall be granted for any invention-creation that is contrary to the laws of the State or social morality or that is detrimental to public interest."[36] Also, no patent right shall be granted for any of the following: (1) scientific discoveries; (2) rules and methods for mental activities; (3) methods for the diagnosis or for the treatment of diseases; (4) animal and plant varieties; (5) substances obtained by means of nuclear transformation.[37]

Regarding the basic requirements for the grant of patent right for an invention or utility model, Article 22 of the Patent Law provides:

> Any invention or utility model for which patent right[s] may be granted must possess novelty, inventiveness and practical applicability.
>
> Novelty means that, before the date of filing, no identical invention or utility model has been publicly disclosed in publications in the country or abroad or has been publicly used or made known to the public by any other means in the country, nor has any other person filed previously with the Patent Administration Department Under the State Council an application which described the identical invention or utility model and was published after the said date of filing.
>
> Inventiveness means that, as compared with the technology existing before the date of filing, the invention has

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[36] Chinese Patent Law, *supra* note 27, art. 5. Similar provisions are found in EPC, *infra* note 194, art. 53:

> Exceptions to patentability: European patents shall not be granted in respect of:
> (a) inventions the publication or exploitation of which would be contrary to 'ordre public' or morality, provided that the exploitation shall not be deemed to be so contrary merely because it is prohibited by law or regulation in some or all of the Contracting States;
> (b) plant or animal varieties or essentially biological processes for the production of plants or animals; this provision does not apply to microbiological processes or the products thereof.

[37] Chinese Patent Law, *supra* note 27, art. 25. But processes used in producing animal and plant varieties may be patentable. *See id*; *see also* EPC, *infra* note 194, art. 52.

> prominent substantive features and represents a notable progress and that the utility model has substantive features and represents progress.
>
> Practical applicability means that the invention or utility model can be made or used and can produce effective results.[38]

These requirements for patentability largely correspond to the U.S. requirements for novelty, non-obviousness, and utility,[39] as well as the EPO requirements of novelty, inventive step, and industrial applicability.[40]

The Patent Law has a special provision, in Article 24, for a six-month grace period with respect to novelty, specifying three particular situations where the novelty of the patent application would not be affected:

> An invention-creation for which a patent is applied for does not lose its novelty where, within six months before the date of filing, one of the following events occurred:
>
> (1) where it was first exhibited at an international exhibition sponsored or recognized by the Chinese Government;
> (2) where it was first made public at a prescribed academic or technological meeting;
> (3) where it was disclosed by any person without the consent of the applicant.[41]

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[38] Chinese Patent Law, *supra* note 27, art 22. With regard to the patentability of a design, Article 23 of the Patent Law provides that: "Any design for which patent right[s] may be granted must not be identical with and similar to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and must not be in conflict with any prior right of any other person." *Id.* art. 23.

[39] *See* 35 U.S.C. §§ 101–103 (2003). The United States provides a one-year grace period for the application after certain publication or disclosure of the invention. *See id.* § 102(b); *cf. infra* note 41 and accompanying text.

[40] *See* EPC, *infra* note 194, arts. 54–56. A key difference is, of course, that the EPC does not provide for a six-month grace period. *See infra* note 41 and accompanying text.

[41] Chinese Patent Law, *supra* note 27, art. 24.

Although this six-month grace period allows for the retention of novelty despite the disclosure of the invention in the three specified situations, the date of such disclosure does not constitute priority for a patent application claiming the disclosed invention.[42] Thus, if following an Article 24 disclosure, but before the inventor files a patent application over the disclosed invention, a third party independently files a patent application over the same invention, the "first-to-file" principle[43] dictates that the inventor cannot obtain a patent.[44] But the third party cannot obtain a patent either, because due to the Article 24 disclosure, the third party's application lacks novelty.[45]

C. Channels for IPR Dispute Resolution in China

In China, IPR can be enforced both through administrative authorities and through the courts.[46] The Patent Law, Trademark Law and Copyright Law of China all provide Chinese administrative authorities with the power for IPR enforcements.[47] In a case of patent infringement, administrative authorities may, sometimes *ex officio*, order an infringer to cease the infringing action and pay damages.[48] Alternatively, a party whose patent has been infringed may sue the infringer directly in the People's

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[42] *See* SIPO Guidelines for Patent Examination (hereinafter Guidelines), pt. II, ch. 3, § 5.4. This is the "MPEP" of China ("MPEP" is the Manual of Patent Examining Procedures of the United States Patent and Trademark Office). The Guidelines embody the Patent Law and its Implementing Regulations, and are the basis for the Patent Office and the Patent Reexamination Board—two parallel and independent branches under the SIPO—to exercise their power. The Guidelines has been translated into English by Helen Han of NTD Patent & Trademark Agency Limited, in THE GUIDELINES FOR PATENT EXAMINATION (2001), ISBN 962-7006-58-0.

[43] *See* Chinese Patent Law, *supra* note 27, art. 9 ("Where two or more applicants file applications for patent for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first.").

[44] *See* Guidelines, *supra* note 42, pt. II, ch. 3, § 5.4.

[45] *See id.*

[46] *See* Michael N. Schlesinger, *Intellectual Property Law in China: Part II—Evolving Judicial Role in Enforcement*, 19 NO. 3 E. ASIAN EXECUTIVE REP. 9, 9 (1997).

[47] *See* Chinese Patent Law, *supra* note 27, art. 57; Trademark Law of China, art. 41, *available at* http://www.sipo.gov.cn/sipo_English/flfg/default.htm (last visited Oct. 26, 2004); Copyright Law of China, art. 47, *available at* http://www.sipo.gov.cn-/sipo_English/flfg/default.htm (last visited Oct. 26, 2004).

[48] *See* Schlesinger, *supra* note 46, at 11 (citing Chinese Patent Law, art. 60).

Courts.[49] However, as detailed in Part II below, interested parties who want to challenge the validity of a patent must initiate the challenge through the patent invalidation procedure in SIPO.

While historically administrative enforcement has played a more important role than judicial proceedings in resolving IPR disputes in China, the balance is gradually shifting.[50] In July 1993, the Chinese government took an unprecedented step and established specialized IP divisions in the People's Courts.[51] Currently, IP cases in China are largely handled by thirty-one Higher Courts and just over 300 Intermediate Courts around China.[52] The No. 3 Civil Division of the Supreme People's Court is the highest IP trial organ in China.[53]

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[49] *See* Chinese Patent Law, *supra* note 27, art. 57. Criminal sanctions are also available in China for IPR infringement. The Criminal Law of China provides seven counts of IP criminal offenses. *See generally* Schlesinger, *supra* note 46; *see also* Fu, *infra* note 52, at 4. Article 58 of the Patent Law provides that parties passing off another's patented product as their own may be prosecuted under the Criminal Law, potentially leading to imprisonment, criminal detention, or criminal fines. *See* Chinese Patent Law, *supra* note 27, art. 58. In the two years from April 2001 to March 2002, Chinese courts took up 851 IP criminal cases, implicating 1288 individuals. During the same period, 775 criminal cases were finally adjudicated, implicating 1207 individuals. Of these individuals, 143 were sentenced to prison for five or more years (with the maximum prison term being seven years for IP criminal offenses in China), and 582 were sentenced to prison for less than five years. *See* Wang, *supra* note 2.

[50] *See* Schlesinger, *supra* note 46, at 9–10. The Chinese government has showed an apparent resolve to promote a shift from non-judicial to judicial enforcement of IPR. *Id.* Also, more and more IP holders seem to be willing to protect their IPR in China through judicial proceedings.

[51] *See id.*

[52] *See* Hon. George Fu, Recent Developments in China's Judicial Protection of Intellectual Property Rights, Presentation at the International Intellectual Property Society (Dec. 18, 2003) (transcript on file with author). The Chinese judicial system consists of the following courts at four levels: (1) Supreme People's Court; (2) Higher People's Court (each province, autonomous region, or municipality directly under the authority of the central government, has one Higher People's Court); (3) Intermediate People's Court (each major city has one or two Intermediate People's Courts); and (4) Basic People's Court (each county and each district of major cities has one Basic People's Court). China adopts a "two-instance" trial system. In most cases, Intermediate Courts are the first instance courts for IPR cases. *See* CCPIT Patent and Trademark Law Office, *Enforcement of Intellectual Property Rights - Judicial System*, *at* http://www.ccpit-patent.com.cn/ip_forms/IP_Enforcement.htm#a1 (last visited Oct. 25, 2004).

[53] *See* Fu, *supra* note 52, at 2.

IPR administrative decisions are subject to judicial review by the People's Courts.[54] For example, a party who is dissatisfied with an initial ruling in an administrative proceeding on patent infringement may appeal to Intermediate People's Courts at the provincial level or other Intermediate People's Courts specially designated by the Supreme People's Court.[55] For cases concerning whether an IP right should be granted, or whether a granted IP right should be revoked, however, the Supreme People's Court has granted the Beijing Intermediate Courts exclusive jurisdiction.[56] Thus, a patent holder dissatisfied with the invalidation of his patent by the SIPO Patent Reexamination Board will have to appeal the decision to the Beijing Intermediate Courts.[57]

II. POST-GRANT PATENT INVALIDATION IN CHINA

In discussing the patent invalidation procedure in SIPO, this section will address the following aspects in succession: a brief history of the patent-invalidation system; when, by whom, and on what grounds can requests for invalidation be filed; the composition of the Reexamination Board; opportunity for participation by the parties involved (including oral proceedings); possible outcomes of the reexamination and their effects; appeal procedure; and statistics of usage of the invalidation procedure.

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54 *See id.* at 4.

55 *See id.* at 2.

56 *See id.* The Beijing Intermediate Courts' exclusive jurisdiction also includes matters involving compulsory licensing. *Id.*

57 Therefore, although the post-grant patent invalidation procedure at SIPO is used relatively frequently (see *infra* Part II.G), it is not that 50% of all the patent-related suits in Chinese courts are appeals from patent invalidation decisions of the Patent Reexamination Board. This percentage applies only to the Beijing Intermediate People's Courts, but not to all the People's Courts across China. *See supra* note 15 and accompanying text.

A. History of Patent Opposition/Invalidation Provisions in the Patent Law

Before it was amended in 1992, the Chinese Patent Law provided for a pre-grant opposition procedure.[58] In the 1992 amendment, this pre-grant opposition was abolished and replaced by post-grant opposition (or revocation).[59] This change shortened the time required to grant a patent by six to ten months, depending on the type of patent application.[60] Thus, before the 2000 amendment, the Patent Law provided for both a post-grant opposition and a post-grant invalidation procedure.[61] The two procedures serve essentially the same function and there existed an overlap.[62] The differences between the two lay in the time allowed for filing a claim, the grounds on which the revocation or invalidation claim can be based, and the authorities that will accept the claim.[63] Experience demonstrated that the post-grant opposition procedure added to SIPO's burden of examination.[64] Also, the invalidation procedure cannot begin until the opposition procedure ends, and this could adversely affect a concerned party's interest.[65] To address these problems, the 2000 amendment of the Patent Law eliminated the post-grant opposition procedure.[66] Consequently, under the current Patent Law, the invalidation procedure is the single mechanism for challenging a patent's validity.[67] This approach is considered to be consistent with the requirements of TRIPS.[68]

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[58] *See* East IP Group, *The Latest Amendments to the Chinese Patent Law - A Comparative Study of the Patent Law with the TRIPS Agreement*, *at* http://www.eastip.com/news_publications/latestamendment (Oct. 17, 2001).

[59] *See id.* Although the pre-grant opposition procedure is eliminated, one may, from the date a patent application is published, until the date the patent right is granted, submit to the SIPO one's observations that the application is not in conformity with the provisions of the Patent Law. *See* Implementing Regulations, *supra* note 30, Rule 48.

[60] *See* East IP Group, *supra* note 58.

[61] *See id.*

[62] *See id.*

[63] *See* Zhang, *supra* note 25.

[64] *See* East IP Group, *supra* note 58.

[65] *See* Zhang, *supra* note 25.

[66] *See* East IP Group, *supra* note 58.

[67] *See id.*

[68] *See id.*

B. Request for Invalidation and Grounds Therefore

Once a patent is granted, any person (either an individual or an entity) who believes that the patent should not have been granted pursuant to the Patent Law, can request that the Patent Reexamination Board declare the patent invalid.[69] There is no requirement in the Patent Law that the identity of the true party in interest be disclosed.

The request for invalidation shall state in detail the grounds for filing the request, by specifying the sections or articles of the Patent Law or the Implementing Regulations, and provide evidence for each ground.[70] Rule 64(2) of the Implementing Regulations provides a list of grounds on which an invalidation request can be based.[71] Such grounds include issues relating to, *inter alia*, (1) novelty, inventiveness, and practical applicability;[72] (2) enablement and written description;[73] (3) amendments that go beyond the scope of the patent application's original disclosure;[74] (4) whether the subject matter is patentable;[75] (5) double patenting;[76] and (6) formal matters.[77] Thus, the grounds for invalidation in China are much broader than those available in the

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[69] *See* Chinese Patent Law, *supra* note 27, art. 45.

[70] *See* Implementing Regulations, *supra* note 30, Rule 64(1); Guidelines, *supra* note 42, pt. IV, ch. 3, § 3.1.

[71] Implementing Regulations, *supra* note 30, Rule 64(2) ("The grounds on which the request for invalidation is based . . . mean that the invention-creation for which the patent right is granted does not comply with the provisions of Article 22, Article 23, or of Article 26, paragraph three or four, or of Article 33 of the Patent Law, or of Rule 2, or of Rule l3, paragraph one, or of Rule 20, paragraph one, or of Rule 21, paragraph two of these Implementing Regulations; or the invention-creation falls under the provisions of Articles 5 or 25 of the Patent Law; or the applicant is not entitled to be granted the patent right in accordance with the provisions of Article 9 of the Patent Law.").

[72] *See* Chinese Patent Law, *supra* note 27, art. 22.

[73] *See id.* art. 26.

[74] *See id.* art. 33.

[75] *See id.* arts. 5, 25; Implementing Regulations, *supra* note 30, Rule 2.

[76] *See* Implementing Regulations, *supra* note 30, Rule 13(1).

[77] *See, e.g.*, *id.* Rule 20(1) ("The claims shall define clearly and concisely the matter for which protection is sought in terms of the technical features of the invention or utility model."); *cf.* 35 U.S.C. § 112, ¶ 2 (2003) ("The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.").

United States.[78] As mentioned *supra* in Part I.B, under the Patent Law of China, "[n]ovelty means that, before the date of filing, no identical invention . . . has been publicly disclosed in publications in the country or abroad or has been publicly used or *made known to the public by any other means* in the country."[79] This is in sharp contrast with the practice in the United States, where grounds for questioning the validity of a patent—a substantial new question of patentability—must be based on patents or printed publications.[80]

C. The Patent Reexamination Board

The Patent Reexamination Board is composed of a Director, a Deputy Director, Members, and Examiners for Reexamination.[81] The position of Director is held by the Commissioner of SIPO.[82] The Deputy Director and the Members are appointed by the Commissioner from experienced technical and legal experts of SIPO.[83] Examiners for Reexamination are experienced examiners and legal staff selected from SIPO.[84]

An invalidation case can be handled by a collegiate panel or by a sole examiner.[85] A collegiate panel consists of three to five members, including a panel leader, one chief examiner and one or three associate examiners.[86] A five-person panel shall be used, as determined or approved by the Director of the Board, if the case (1) has great impact in China and abroad, (2) involves important or difficult legal issues, or (3) involves great economic interests.[87]

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[78] *See infra* Part III.C.2.a for grounds for requesting patent reexamination in the United States.

[79] *See* Chinese Patent Law, *supra* note 27, art. 22(2) (emphasis added).

[80] *See infra* Part III.C; *see also infra* Part IV, regarding the meaning under the Patent Law of China of "public disclosure," which includes disclosure by publication and non-publication disclosure.

[81] *See* Guidelines, *supra* note 42, pt. IV, ch. 1, § 4.

[82] *See id.*

[83] *See id.*

[84] *See id.*

[85] *See id.* §§ 6–7.

[86] *See id.* § 6.

[87] *See id.* § 6.2. The Viagra case is clearly a case that involved great economic interests. Indeed, SIPO had established a special committee to examine the case. *See Pfizer Says China Has Overturned Viagra Patent*, ASSOCIATED PRESS, http://www.forbes.com/business/feeds/ap/2004/07/07/ap1446796.html (July 7, 2004).

An opinion of a collegiate panel is reached through voting, wherein the majority opinion controls.[88] Simple cases may be examined independently by a single examiner.[89] A member of the Patent Reexamination Board shall be excluded from the invalidation proceedings if he is deemed an interested party or was involved in the original examination of the application from which the patent issued.[90]

D. Conduct of the Reexamination

In conducting the reexamination of a patent, the Reexamination Board shall abide by the principles of legality, fairness, petition, hearings, and publicity.[91] The principle of legality requires that the reexamination procedure and decision conform to applicable laws and rules;[92] the principle of fairness requires the Board to reach a decision objectively, correctly, and timely, based on the facts and the law;[93] the principle of petition allows the person who has filed the request for invalidation to withdraw the case before the Board has reached a decision;[94] the principle of hearings allows the party to whom a determination is unfavorable an opportunity to provide observations against the grounds, evidence or affirmed facts adopted in the decision;[95] and the principle of publicity requires that, except for cases that should be kept confidential according to law, oral hearings be held publicly and the decision of the reexamination be published.[96]

The reexamination is *inter partes* in nature. The Board will send a copy of the request for invalidation and relevant

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88 *See* Guidelines, *supra* note 42, pt. IV, ch. 1, § 6.4.

89 *See id.* § 7.

90 *See id.* § 8; *see also* Implementing Regulations, *supra* note 30, Rule 38.

91 *See generally* Guidelines, *supra* note 42, pt. IV, ch. 1, § 5.

92 *See id.* § 5.1.

93 *See id.* § 5.2.

94 *See id.* § 5.3. The petitioner who requested the invalidation, however, cannot withdraw the case after the Board has announced or issued a decision in writing. Such a decision is binding notwithstanding the attempt by petitioner to withdraw the case. *Id.*

95 *Id.* § 5.5.

96 *Id.* §§ 5.6, 9.3.

documents[97] to the patent owner,[98] and invite the patent owner to respond within a specified time limit,[99] which is usually within a month[100] and not extendible.[101] Depending on the circumstances of the reexamination, the Board may also transfer to the person requesting the invalidation any observations filed by the patentee in response to the request for invalidation, and, when necessary, set a time limit (usually one month) for response.[102] If a party fails to respond within the time limit, the party will be deemed to have known the grounds, facts and evidence contained in the transferred documents and to have raised no opposition.[103]

The Board may also conduct investigations *ex officio* on the case.[104] In general, however, the Board will conduct the reexamination only on the grounds that the requester raises and is not obliged to perform a comprehensive examination of the validity of the challenged patent.[105]

The patentee is permitted to amend the claims of the patent, provided that such amendment does not broaden the scope of patent protection.[106] The patentee, however, cannot amend the description or drawings of the patent.[107] If the amendment of the claims is done by means other than deletion, the person requesting

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[97] Within one month after the filing date of the request for reexamination, the person making the request may supply additional evidence or arguments. *See* Implementing Regulations, *supra* note 30, Rule 66.

[98] *Id.* The terms "patent owner," "patentee," and "the proprietor of the patent" (and variations thereof) are used interchangeably in this paper, although their legal meanings are not exactly the same.

[99] *See* Implementing Regulations, *supra* note 30, Rule 67(1).

[100] *See* Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.1.

[101] *See* Implementing Regulations, *supra* note 30, Rule 70 ("In the course of the examination of a request for invalidation, the time limit specified by the Patent Reexamination Board shall not be extended.").

[102] *See* Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.1; *see also* Implementing Regulations, *supra* note 30, Rule 67(2).

[103] Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.1.

[104] Guidelines, *supra* note 42, pt. IV, ch. 1, § 5.4.

[105] *See* Guidelines, *supra* note 42, pt. IV, ch. 3, § 3.1.2.

[106] *See* Implementing Regulations, *supra* note 30, Rule 68(1).

[107] *See id.* Rule 68. The drawings, photographs, or the brief explanation of a design patent cannot be amended. *Id.*

the invalidation is given an opportunity to raise new grounds, evidence and observations against the amended claims.[108]

The Board may, at the request of the parties or at its discretion based on the needs of the case, decide to hold oral hearings during the reexamination process.[109] A party shall submit the request for oral hearing in writing, setting forth the grounds for such request.[110] As already mentioned, the oral hearings shall be conducted publicly, subject to situations where confidentiality is required by law.[111] To guarantee fairness, a member of the Panel usually cannot interview with only one side to the reexamination.[112]

E. Outcomes of the Invalidation Proceeding and Their Effects

An invalidation proceeding may take up to two years,[113] with three possible outcomes: (1) the entire patent is declared invalid; (2) part of the patent is declared invalid; and (3) the patent is upheld.[114] Any patent right (or part thereof) that has been declared invalid is deemed to have not existed from the beginning.[115] The claims (including amended claims) of a patent that is upheld are deemed to have existed from the very beginning.[116]

Importantly, a decision by the Board declaring a patent invalid will not have retroactive effect on any judgment of patent

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[108] *See* Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.4.

[109] *See* Implementing Regulations, *supra* note 30, Rule 69(1). In a case before a five-person panel, oral hearings shall be conducted if such hearings have not been conducted previously in the case before the five-person panel is established. *See* Guidelines, *supra* note 42, pt. IV, ch. 1, § 6.2. By inference, oral hearings—which would have been public—had probably been conducted in the Viagra case, because it was handled by a special panel. *See supra* note 87.

[110] The grounds for requesting an oral hearing may include: "(1) one party wishes to have a face-to-face cross-examination and argument with the adversary; (2) it is necessary to state the facts before the Panel; (3) it is necessary to make [a] demonstration in kind; (4) it is necessary to present witnesses to testify." *See* Guidelines, *supra* note 42, pt. IV, ch. 4, § 2.

[111] *See* Guidelines, *supra* note 42, pt. IV, ch. 5, § 5.2.

[112] *See* Guidelines, *supra* note 42, pt. IV, ch. 3, § 3.6.

[113] *See* East IP Group, *supra* note 58.

[114] Guidelines, *supra* note 42, pt. IV, ch. 3, § 6.

[115] *See* Chinese Patent Law, *supra* note 27, art. 47(1); Guidelines, *supra* note 42, pt. IV, ch. 3, § 6.

[116] *See* Guidelines, *supra* note 42, pt. IV, ch. 3, § 6.

infringement that has been pronounced and enforced by the People's Court, or on contracts relating to licensing or assignment of patent rights that have been performed before the declaration of the patent's invalidity.[117] But the patent owner will be liable for damages caused to other parties due to its bad faith.[118] Also, the original owner of the now invalid patent should repay a licensee or an assignee the whole or part of the patent licensing or assignment fees if not doing so would be contrary to the principle of equity.[119]

Because post-grant patent invalidation proceedings must be initiated at the SIPO Patent Reexamination Board,[120] and because the Beijing People's Intermediate Courts are the designated courts for appeal of the Board's decision, a situation can arise where a patent is affirmed to be invalid in the Beijing Intermediate Courts, but the same patent is found infringed in another People's Court elsewhere in China.[121] Thus, when an invalidation request has been filed in the SIPO, it is a critical issue whether to stay an infringement proceeding in a court other than the Beijing Intermediate Courts.[122] A Supreme Court circular issued before the 2000 amendment of the Patent Law suggested that the courts have the discretion (but not the obligation) to order a stay if invalidation proceedings are pending in the SIPO.[123] In infringement cases involving utility models and designs, such a stay is almost automatic. In invention patent cases, however, stays are not as common.[124] One explanation for this differential treatment is that, because invention patents, unlike utility model or design patents, are only granted after substantive examination, the People's Court can proceed with the infringement hearing

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117 *See* Chinese Patent Law, *supra* note 27, art. 47(2).

118 *See id.*

119 *See id.*, art. 47(3).

120 Pursuant to Articles 41, 45 and 46 of the Patent Law, the Patent Reexamination Board performs examinations of requests for invalidation of granted patents (as well as requests for reexamination of the Patent Office's decision on examination of patent applications). *See* Guidelines, *supra* note 42, pt. IV, ch. 1, § 3.

121 *See* East IP Group, *supra* note 58.

122 *See id.*

123 *See id.*

124 *See id.; see also* John Richards, Guide to Patent Protection in the Pacific Rim 20 (Spring 2004) (unpublished manuscript, on file with author).

involving an invention patent with the presumption that the invention patent is valid.[125]

On the other hand, the Reexamination Board should temporarily suspend the invalidation proceedings if the People's Court has ordered a patent right preservation concerning the challenged patent and has requested the Board to assist exercising the preservation of the patent right.[126] Temporary suspension of the invalidation proceedings will also be effected when there is a dispute over the ownership of the patent right and a party involved in the dispute requests suspension of the invalidation proceedings.[127] The Board can resume the invalidation proceedings if, *inter alia*, (1) the party that requested suspension now requests restoration of the proceedings; (2) no request to extend the suspension has been received after one year of suspension based on a patent right ownership dispute; or (3) the People's Court has issued no order to continue the preservation of patent right after the expiration of the time limit for preservation.[128]

F. Appeal

Before the 2000 amendment, a decision by the Board regarding the validity of a utility model or design patent was final, while a decision by the Board on the validity of an invention patent was subject to appeal.[129] To comply with TRIPS, which requires that administrative decisions in any proceeding for the acquisition and maintenance of intellectual property rights be subject to judicial review,[130] the 2000 amendment removed the finality of the Board's decision on the validity of the patent right for utility models and designs.[131]

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[125] *See* East IP Group, *supra* note 58.

[126] *See* Implementing Regulations, *supra* note 30, Rule 87; Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.5.

[127] *See* Implementing Regulations, *supra* note 30, Rule 86; Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.5.

[128] *See* Implementing Regulations, *supra* note 30, Rule 86–87; Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.5.

[129] *See* East IP Group, *supra* note 58.

[130] *See* TRIPS Guidelines, *supra* note 12, art. 62, ¶ 5.

[131] *See* East IP Group, *supra* note 58.

Under the current Patent Law, any party not satisfied with the decision of the Board may, within three months from receipt of the notification of the decision, appeal to the People's Court.[132] As mentioned earlier, the appeal will be taken up at the Beijing Intermediate People's Courts.[133] The SIPO Patent Reexamination Board is the defendant in the appeal.[134] The Court will notify the party who opposed the now appellant in the invalidation proceedings to appear as a third party.[135] A party dissatisfied with the Intermediate Court's decision can further appeal to the Beijing Higher People's Court.[136]

If the decision of the Reexamination Board has been withdrawn by a valid People's Court judgment but the court does not enter its own ruling on the validity of the patent, the Board will need to re-conduct the invalidation proceedings.[137] If the Board's original decision has been withdrawn by the court for insufficient evidence or erroneous application of law during the invalidation proceedings, the Board cannot, in reexamining the invalidation case, reach the same decision based on the same evidence or reasoning.[138] If the original Board decision has been withdrawn for procedural errors, the Board shall re-examine the invalidation case based on the correct procedures as determined by the People's Court.[139]

G. Statistics on the Use of the Invalidation System

According to the 2002 Annual Report of SIPO, "[s]ince 1985, the Patent Re-examination Board [has] received 8594 requests for

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[132] *See* Chinese Patent Law, *supra* note 27, art. 46(2).

[133] *See supra* note 52 and accompanying text.

[134] *See* Guidelines, *supra* note 42, pt. IV, ch. 3, § 5.6.

[135] *See* Chinese Patent Law, *supra* note 27, art. 46(2). Thus, in the Viagra case, the appeal will be Pfizer v. SIPO Patent Reexamination Board, with the Chinese companies that requested the invalidation participating as third parties.

[136] For an illustration of the appeal procedures, see Chinese Patent Agent (H.K.) Ltd., *Buhler A.G. v. Patent Reexamination Board*, *at* http://www.cpahkltd.com/publications-/cases/ebuhle.html (last visited Oct. 25, 2004) (brief description of case).

[137] *See* Guidelines, *supra* note 42, pt. IV, ch. 1, § 13.1.2.

[138] *See id.* § 13.2.

[139] *See id.* § 13.3.

invalidation.[140] In 2002, 1752 requests for invalidation were received, 436 more than in the previous year, representing an increase of 33.1%.[141] Of [the] requests received in 2002, 130 related to invalidation requests for invention patents, accounting for 7.4% of the total, 756 related to invalidation requests for utility models, accounting for 43.2%, and 866 to industrial designs, making up the remaining 49.4%."[142] In 2002, about 132,500 patents were granted in China, with about 21,500 for inventions, 57,500 for utility models, and 53,500 for industrial designs.[143] Thus the number of requests for invalidation in 2002 represents just over 1.3% of the number of patents granted in 2002.[144]

According to the 2002 Annual Report, since 1985, 352 cases have been lodged with the Beijing Number One Intermediate People's Court due to dissatisfaction with invalidation decisions made by the Patent Reexamination Board.[145] In 2002 alone, 211 appeals were brought to the Beijing Number One Intermediate People's Court (or to the Beijing High People's Court), of which twenty-five were against the invalidation decisions involving invention patents, 116 involving utility model patents, and seventy involving industrial designs.[146] Evidently, the total number of appeals increased dramatically in 2002, exceeding the total number of appeals from 1985 to 2001. This is clearly the result of the 2000 amendment to the Patent Law—effective July 1, 2001—that allows

[140] State Intell. Prop. Office of the P.R.C., ANN. REP. 2002, *Chapter V: Reexamination and Invalidation*, *at* http://www.sipo.gov.cn/sipo_English/ndbg/nb/ndbg2002/default.htm (last visited Oct. 25, 2004) [hereinafter Annual Report 2002].

[141] *Id.* This increase may not necessarily mean that the post-grant invalidation process is gaining popularity. Rather, it is likely the result of the rapidly growing number of patent applications and grants in China. *See generally* Intell. Prop. L. Bull., *Boom for Patent Application in China* (Mar. 25, 2004), *at* http://www.iplawbulletin.com/cgi-bin/absolutenm/anmviewer.asp?a=1180; Annual Report 2002, *supra* note 140, at ch. II, § 4 ("Chapter II: Patent Application and Examination").

[142] Annual Report 2002, *supra* note 140, ch. V.

[143] Annual Report 2002, *supra* note 140, ch. II, § 4.

[144] The real percentage of patents subject to invalidation requests is likely higher than 1.3%, because many of the requests in 2002 are against patents issued before 2002; the percentage is also likely growing because now requesters of invalidation of utility model and design patents can appeal an unsatisfactory decision by the Reexamination Board (s*ee supra* note 131 and accompanying text).

[145] Annual Report 2002, *supra* note 140, ch. V.

[146] Annual Report 2002, *supra* note 140, ch. V.

for appeals of the Board's invalidation decisions involving utility model and design patents,[147] which constitute the vast majority of the invalidation proceedings.[148]

III. POST-GRANT PATENT INVALIDATION IN THE TRILATERAL OFFICES

This section examines the systems for challenging the validity of granted patents in the trilateral patent offices of Japan, the EPO, and the United States. The major aspects of each of these invalidation systems are discussed in largely the same sequence as for the Chinese system.

A. Japan

1. Brief History of the Japanese Patent Invalidation System

The Japanese law on challenging a granted patent in the Japan Patent Office (JPO) has been recently revised. Before 1996, an interested party could challenge the grant of a patent or a granted patent through pre-grant opposition or a patent invalidity trial.[149] Because the pre-grant opposition procedure caused delays in the issuance of patents and resulted in undue harassment of the applicant, it was terminated in 1996 and replaced with post-grant opposition.[150] All the opposition or invalidation proceedings were to be conducted within the JPO, which had exclusive (first-instance) jurisdiction over all issues relating to the validity of a Japanese patent.[151] While this is still largely true, in April 2000, the Supreme Court of Japan in *Texas Instruments, Inc. v. Fujitsu*

147 *See supra* note 131 and accompanying text.

148 *See supra* note 142 and accompanying text.

149 *See generally* Setsuko Asami, *The New Patent Office Trial of Invalidity: Administrative Patent Trials under the 2003 Amendments to the Japanese Patent Law*, at 2–4, paper presented at the Eleventh Annual Conference on International Intellectual Property Law & Policy, Fordham University School of Law, Apr. 24 & 25, 2003, New York City.

150 *See, e.g.*, Gerald J. Mossinghoff and Vivian S. Kuo, *Post-Grant Review of Patents: Enhancing the Quality of the Fuel of Interest*, 85 J. PAT. & TRADEMARK OFF. SOC'Y 231, 247; Asami, *supra* note 149, at 2–3.

151 *See* Mossinghoff and Kuo, *supra* note 150, at 247.

Ltd.[152] held that "[even] before the decision invalidating a patent has become final [at the JPO], where a court determines that there has been infringement of a patent, it should determine whether any reason for invalidity exists," and that a patent is invalid if there are obvious reasons for invalidity and if there is a high level of certainty that the JPO would invalidate the patent at an invalidation trial.[153]

Post-grant opposition, introduced partly as a result of discussions between the United States Patent and Trademark Office (USPTO) and the JPO,[154] had its own problems. A post-grant opposition is not *inter partes*, but *ex parte*, precluding the party who challenges the validity of the patent from participation.[155] The true party in interest must be identified in the opposition[156] and the opposition must be filed within six months of the patent's issue date.[157] Due to the *ex parte* nature of the post-

[152] This case is also known as the "Kilby case." An English translation of the case is available at http://www.softic.or.jp/en/cases/Texas_Inst_v_Fujitsu.html (last visited Oct. 25, 2004).

[153] *See* Judge Shuhei Shiotsuki, *Invalidation Procedure and Infringement Trials in Japanese Courts and Patent Office*, *in* 7 CASRIP PUBLICATION SERIES, RECONCILING INTERNATIONAL INTELLECTUAL PROPERTY 87, 88–89, http://www.law.washington.edu-/casrip/Symposium/Number7/2B-Shiotsuki.pdf (July 2002); *see also* Ladas & Parry LLP, *Japan – Consideration of Validity of Patent in Infringement Action*, *at* http://www.ladas.com/BULLETINS/2002/0202Bulletin/JapanValidityInInfrigement.html (Feb. 2002) ("In Japan the law provides that matters relating to the validity of patents should be dealt with by nullity proceedings initiated before the Patent Office. Invalidity of the patent being sued upon is not in itself a defense to an infringement lawsuit in Japan, although on occasion, courts have construed patents narrowly in cases where they have felt the patent unlikely to be valid. As a practical matter, this situation may be about to change. In April 2000 in Texas Instruments v. Fujitsu Ltd. the Japanese Supreme Court held that, in cases where a court hearing an infringement action concluded that it was highly likely that the patent was invalid, it could decline to enforce it, since any such enforcement would be a misuse of the patent right. It therefore appears that defendants will now have a clear interest in raising issues of invalidity when sued for patent infringement. The case in which the issue arose was one where the ground of invalidity in question was the Japanese equivalent of double patenting and was fairly easy for the court to understand. Whether courts will be willing to consider issues of obviousness or other more complex allegations of invalidity in infringement trials remains to be seen. In such cases it may still be necessary to use the traditional route of a nullity suit.").

[154] *See* Asami, *supra* note 149, at 2–3.

[155] *See id.* at 3.

[156] *See id.* n.3.

[157] *See id.* at 3.

grant opposition procedure, the party challenging the patent lost about 80% of all oppositions.[158] Furthermore, the party losing the opposition to the patentee has no right of appeal to the Tokyo High Court.[159] Consequently, the total number of oppositions declined from 6000 in 1998 to about 3500 in 2001, representing approximately three percent of all granted patents.[160] The number of invalidation trials, however, has remained constant, at just below 0.3% of all granted patents.[161]

Because of the dual opposition and invalidation trial system, patentees are burdened by repeated attacks against the same patent and a resolution of patent validity is delayed.[162] In 2003, seven years after its introduction, the post-grant opposition procedure was abolished,[163] leaving a modified invalidation trial system as the sole mechanism for nullifying a Japanese patent filed or issued after January 1, 2004.[164] The new "Trial for Invalidity," effective January 1, 2004, is largely an integration of the two previous procedures of post-grant opposition and invalidation trial.[165]

2. Initiation and Conduct of the Trial for Invalidity

Under the new Trial for Invalidity system, the request for invalidation trial can be filed at any time,[166] even after the expiration of the patent term.[167] The identity of the true party in

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158 *See id.*

159 *See id.*

160 *See id.*

161 *See id.* The success rate for the challenging party in invalidation trials is about 24%, slightly higher than in oppositions, but it has been increasing. *See id.*

162 *See id.*

163 *See id*. at 1–2.

164 *See id.* The post-grant opposition system will continue to be available for any patent granted on or before December 31, 2003. *See* Harold C. Wegner, *Tokyo Patent Enforcement & Invalidation: Implications for American Litigation from Blonder-Tongue to Trans-Border Enforcement*, 8 n.12, paper presented at the Eleventh Annual Conference on International Intellectual Property Law & Policy, Fordham University School of Law, April 24 & 25, 2003, New York City.

165 *See, e.g.*, Masaki Yoshino, *Patent Law Amended*, Practical Law Company, *at* http://www.plcinfo.com/scripts/article.asp?Article_ID=35697 (last visited Oct. 25, 2004).

166 *See* Asami, *supra* note 149, at 3.

167 *See* Japan Patent Law, § 123(2) (1999), an English translation of which is available at http://www.jpo.go.jp/shoukaie/patent.htm (last visited Oct. 18, 2004) [hereinafter Japan Patent Law].

interest need not be identified.[168] The entire procedure is *inter partes*.[169] The patentee can file a response to the invalidation request, and the response can include narrowing amendments to the claims.[170] The requester generally will have a second opportunity to furnish new evidence, usually in response to narrowing amendments by the patentee.[171] The trial will proceed, generally in the format of an oral hearing,[172] before a three-member panel of the Board of Appeals and Trials,[173] which reaches a final decision in about fifteen months.[174] The members of the JPO Board of Appeals and Trials are highly experienced. Each member has at least ten years of patent examination experience, as well as excellent educational backgrounds.[175]

3. Grounds for Invalidation

Under the new invalidation trial system, challenges to patent validity can be based on almost any ground upon which a patent may be found invalid.[176] As many as sixteen specific grounds have been articulated by some practitioners.[177] Interestingly, however, a

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[168] *See* Asami, *supra* note 149, at 2, 4. The procedure before January 1, 2004 requires that only an interested party may seek a Trial for Invalidity. *See* Wegner, *supra* note 164, at 9 n.13.

[169] *See* Wegner, *supra* note 164, at 8 n.12.

[170] *See* Asami, *supra* note 149, at 5.

[171] *See id.*

[172] *See id.*; Wegner, *supra* note 164, at 9.

[173] The Board of Appeals and Trials, with more than 300 members, handles not only Trials for Invalidity and oppositions, but also appeals from rejections of patent applications. In 2001, there were about 300 Trial for Invalidity cases, 3500 oppositions, and 20,000 appeals of patent application rejections. *See* Asami, *supra* note 149, 2 n.2 and accompanying text.

[174] *See id.* at 6.

[175] Most members are graduates of Japan's top universities and more than 85% have a Master's degree. *See id.* at 5; Wegner, *supra* note 164, 9 n.15. The qualifications of the panel members of the Patent Examination Board of the SIPO are similar to those of the JPO. *See supra* Part II.

[176] *See* Japan Patent Law, *supra* note 167, § 123(1).

[177] *See* Global IP Group, Japanese Patent Law, *IX: Trial for Invalidity*, *at* http://www.shinjyu.com/articles/01Japanese_Patent (last visited Oct. 18, 2004), which provides:

> A third party who is or may be adversely affected by a patent may demand a trial for the invalidation of the patent under the following circumstances:
>
> (1) new matter was added to the application during prosecution;

patent cannot be invalidated on the ground that the applicant intentionally withheld relevant prior art during prosecution, even if such prior art could conceivably render the invention unpatentable.[178]

4. Outcomes of the Invalidation Trial and Their Effects

The decision of the invalidation trial can be to revoke the challenged patent, to maintain the patent as granted, or to maintain the patent as amended.[179] A patent right will be deemed never to

(2) a patent was granted to an applicant that is a resident of a country which does not grant reciprocal privileges to Japanese residents;
(3) the invention is not industrially applicable;
(4) the invention was publicly known in Japan prior to the filing date of the application;
(5) the invention was publicly worked in Japan prior to the filing date of the application;
(6) the invention was described in a publication distributed in Japan or elsewhere prior to the filing date of the patent application;
(7) the invention could have been easily made, prior to the filing date of the application, by a person with ordinary skill in the art to which the invention pertains;
(8) the applicant was not the first one to file a patent application for the invention;
(9) the invention is liable to contravene public order, morality or public health;
(10) the patent was granted contrary to the provisions of a treaty;
(11) the specification does not describe the invention in a manner sufficiently clear and complete for the invention to be carried out by a person having ordinary skill in the art to which the invention pertains;
(12) the allowed claims are not clear and concise;
(13) an English language patent application was originally filed, and the Japanese language translation of such includes matter not disclosed in the English version.
(14) the patent has been granted on a patent application filed by a person who is not the inventor and has not succeeded to the right to obtain a patent for the invention concerned;
(15) when the patentee has become a resident of a country that does not grant reciprocal privileges to residents of Japan, or the patent in question no longer complies with a treaty; and
(16) the patentee has been allowed to correct the specification or drawings of the patent after grant in a manner which adds new matter.

[178] *See id.* (*XIV: Prior Art Disclosure Requirement*).

[179] *See* Mossinghoff & Kuo, *supra* note 150, at 248; *see also supra* note 170 and accompanying text.

have existed if a final and conclusive decision has been made that a patent is invalid.[180]

5. Appeal

Either the requester or the patentee may seek review in the Tokyo High Court.[181] The patentee seeking such an appeal has a further opportunity to make narrowing amendments to the patent.[182] Under the new Trial for Invalidity rules, such amendments must be made within ninety days of the Trial Board's decision at the JPO.[183] The Tokyo High Court can remand the case back to the JPO when the patentee makes such amendments, and the JPO will examine both the legitimacy of the patentee's requested amendments and the arguments filed by the requester of the invalidation trial in response thereto.[184] In a suit against an invalidation trial decision, the JPO is not a party to the suit.[185] When appropriate, however, the court can request the JPO to state an opinion relating to the interpretation of the law and examination guidelines.[186] Also, with the court's permission, the JPO may file such an opinion on its own initiative.[187] A party not satisfied with

[180] *See* Japan Patent Law, *supra* note 167, § 125.

[181] *See* Asami, *supra* note 149, at 6. There are five kinds of courts in Japan: The Supreme Court, High Courts, District Courts, Family Courts and Summary Courts. It is likely a result of American influence that the power granted to the Supreme Court and limitations thereto are somewhat similar to that of the U.S. Supreme Court. Each of the eight High Courts covers its own territorial jurisdiction, like the U.S. Federal Circuit courts, but they have original jurisdictions in certain subject matters such as election disputes. The District Courts have original jurisdiction over all cases except those that fall within the specific jurisdiction of other courts. The Family Courts, also directly below the High Courts (like the District Courts, to which they are parallel), hear both cases involving family conflicts, as well as juvenile delinquency cases. The Summary Courts, which are directly under the District Courts, hears small claims civil cases and certain minor criminal cases. *See* Supreme Court of Japan, *An Overview of the Judicial System*, *at* http://www.courts.go.jp/english/soshikie_1.html (last visited Oct. 26, 2004).

[182] *See* Asami, *supra* note 149, at 6.

[183] *See id.*

[184] *See id.* at 6–7.

[185] *See* Onda Techno, Amendments to Japanese Patent Law, *Statement of Opinion by the JPO in a Suit against Trial Decision*, *at* http://www.ondatechno.com/English/topics-/20040205.html (last visited Oct. 26, 2004).

[186] *See id.*

[187] *See id.*

the decision of the Tokyo High Court may appeal to the Supreme Court.[188]

6. Statistics of Use

In 2001, about 110,000 patents were granted in Japan.[189] Against the granted patents, about 4000 oppositions and 283 invalidation trials were demanded,[190] representing about 4% of the granted patents. Of the Board's decisions in the invalidation trials in the same year, 156 were appealed to the Tokyo High Court.[191] In contrast, only 153 infringement suits were filed in District Courts in Japan in 2001,[192] a very small number compared to the more than 1700 cases filed in the United States in the same year.[193] It is too early to see how frequently Japan's new invalidation trial system will be used.

B. EPO

The European Patent Convention ("EPC") went into effect on June 1, 1978 with the opening of the European Patent Office (EPO) in Munich.[194] The EPC provides for an opposition procedure for challenging a granted European patent.[195]

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[188] *See* Shiotsuki, *supra* note 153, at 87.

[189] *See* Japan Patent Attorneys Association, 2003 Amendment to Japan Patent Law, *§ 2.1: Recent Statistics in Legal Dispute over a Patent Right*, *at* http://www.jpaa.or.jp-/english/law/2003amendment.html (last visited Oct. 26, 2004).

[190] *See id.*

[191] *See id.*

[192] *See id.*

[193] *See* Law.com, *Methodology* (May 7, 2002), *at* http://www.law.com/jsp-/statearchive.jsp?type=Article&oldid=ZZZKAS5FS0D (citing a survey conducted by IP Worldwide).

[194] European Patent Office, *European Patent Convention*, http://www.european-patent-office.org/legal/epc/e/ma1.html#CVN (last amended Dec. 10, 1998) [hereinafter *EPC*]. In principle, the EPC has nothing to do with the European Community (EC) or European Union (EU), because it was created by a treaty between the participating countries (Contracting States), rather than by the EC/EU authorities. *See* John Richards, *Guide to Patent Protection under the European Patent Convention*, 2–5 (unpublished manuscript on file with author) [hereinafter Richards, *Patent Protection under the EPC*]. Thus an EU member is not necessarily an EPC member, and vice versa. For a list of the current EPC Contracting States, see EPC, art. 1 n.1.

[195] *See EPC*, *supra* note 194, arts. 99–105.

1. Filing of an Opposition

Through an EPC opposition, any person may obtain the limitation or revocation of a wrongly granted European patent.[196] "Any person" means any natural person (such as private individuals, self-employed persons, etc.) or any legal person (such as corporations).[197] But "any person" does not include the proprietor of the patent.[198] The person filing an opposition need not specify any particular interest.[199]

The notice of opposition has to be filed with the EPO within nine months from the publication of the grant of the patent.[200] An opposition may be filed even if the European patent has been surrendered or has lapsed for all the designated States.[201] This is to cover situations where patent right disputes arise from the period before the surrender or lapse of the patent.[202] Also, even if the period for filing an opposition has expired, a third party may intervene in the opposition proceedings if he proves that proceedings for infringement of the patent being opposed have been instituted against him, or that he has instituted proceedings for a court ruling that he is not infringing the opposed patent in response to the patent owner's request that he cease the alleged infringement.[203] If the notice of intervention is properly filed within specified time limits (e.g., within three months of the date

[196] *See* European Patent Office, *Guidelines for Examination in the EPO*, pt. D, ch. I, § 1, *available at* http://www.european-patent-office.org/legal/gui_lines/index.htm (2003) [hereinafter *EPO Opposition Guidelines*]. There are two ways to obtain patent protection in Europe, either nationally through patent offices of the individual European countries or centrally through the EPO in the form of a European patent. The EPC, however, does not provide a common regime for the enforcement of European patents. *See* Richards, *Patent Protection under the EPC*, *supra* note 194, at 2–5.

[197] *See EPC*, *supra* note 194, arts. 58, 99(1).

[198] *EPO Opposition Guidelines*, *supra* note 196, pt. D, ch. I, § 4.

[199] *See id.*

[200] *See EPC*, *supra* note 194, art. 99(1). The notice of opposition can be given to the EPO office in Munich, The Hague or Berlin. *See* EPO Opposition Guidelines, *supra* note 196, pt. D, ch. III, § 1.

[201] *See EPC*, *supra* note 194, art. 99(3).

[202] *See EPO Opposition Guidelines*, *supra* note 196, pt. D, ch. III, § 2.

[203] *EPC*, *supra* note 194, art. 105(1).

on which the infringement proceedings were instituted), the intervention will be treated as an opposition.[204]

2. Grounds for Opposition

The notice of opposition shall contain, *inter alia*, "a statement of the extent to which the European patent is opposed and of the grounds on which the opposition is based as well as an indication of the facts, evidence and arguments presented in support of these grounds."[205] EPC Article 100 sets forth three categories of grounds on which the public may oppose a granted European patent:[206] (1) lack of patentability;[207] (2) insufficient disclosure;[208] and (3) extension of the scope of protection beyond what was contained in the application as originally filed.[209] For (1) lack of patentability, the grounds can be that the claimed invention lacks novelty,[210] inventive step,[211] or industrial application,[212] or that the claimed invention relates to non-patentable subject matter[213] or the exploitation of which is contrary to public interest or morality.[214]

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[204] *See id.* arts. 105(1), 105(2).

[205] Implementing Regulations to the Convention on the Grant of European Patents, *Rule 55(c)—Content of the Notice of Opposition*, *available at* http://www.european-patent-office.org/legal/epc/e/ma2.html#REG (last amended Dec. 13, 2001) [hereinafter EPC Regulations].

[206] *EPC*, *supra* note 194, art. 100.

[207] *Id.* art. 100(a) ("[T]he subject-matter of the European patent is not patentable within the terms of Articles 52 to 57.").

[208] *Id.* art. 100(b) ("[T]he European patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art.").

[209] *Id.* art. 100(c) ("[T]he subject-matter of the European patent extends beyond the content of the application as filed, or, if the patent was granted on a divisional application or on a new application filed in accordance with Article 61, beyond the content of the earlier application as filed.").

[210] *Id.* art. 54.

[211] *Id.* art. 56.

[212] *Id.* art. 57.

[213] *See id.* arts. 52, 53(b).

[214] *See id.* art. 53(a). But the publication or exploitation of the invention "shall not be deemed to be so contrary merely because it is prohibited by law or regulation in some or all of the Contracting States." *Id.* This is different from China, which still holds that inventions that violate Chinese laws are not patentable. *See supra* note 36 and accompanying text.

3. The Opposition Division

An Opposition Division is responsible for the examination of oppositions against any European patent.[215] Regarding the composition, tasks and powers of an Opposition Division, the EPC provides:

> An Opposition Division shall consist of three technical examiners, at least two of whom shall not have taken part in the proceedings for grant of the patent to which the opposition relates. An examiner who has taken part in the proceedings for the grant of the European patent shall not be the Chairman. Prior to the taking of a final decision on the opposition, the Opposition Division may entrust the examination of the opposition to one of its members. Oral proceedings shall be before the Opposition Division itself. If the Opposition Division considers that the nature of the decision so requires, it shall be enlarged by the addition of a legally qualified examiner who shall not have taken part in the proceedings for grant of the patent. In the event of parity of votes, the vote of the Chairman of the Division shall be decisive.[216]

If the notice of opposition is deemed admissible after evaluation of the formalities,[217] "[t]he Opposition Division shall communicate the opposition to the proprietor of the patent and shall invite him to file observations and, where appropriate, amendments to the description, claims and drawings within a period to be fixed by the Opposition Division."[218] The observations and any amendments filed by the proprietor are then communicated by the Opposition Division to all opponents, who, when deemed necessary by the Opposition Division, are given an opportunity to comment on the proprietor's submissions.[219]

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[215] *EPC*, *supra* note 194, art. 19(1).

[216] *Id.* art. 19(2). The Chairman must be a technically qualified examiner. *See EPO Opposition Guidelines*, *supra* note 196, pt. D, ch. II, § 2.3.

[217] *See* EPC Regulations, *supra* note 205, Rule 56 ("Rejection of the notice of opposition as inadmissible").

[218] *Id.* Rule 57(1).

[219] *Id.* Rule 57(3).

4. Conduct of the Opposition

The proceeding of the substantive examination before the Opposition Division is quite flexible. There is no fixed schedule of pleadings and counter-pleadings between the parties, and the time limits set by the Opposition Division can be extended for cause.[220] Parties are invited by the Opposition Division as often as necessary to file observations on communications from the other party or from the Opposition Division.[221] Although substantive examination of the opposition generally starts with written submissions and evidence, oral proceedings will be held if the Opposition Division deems it appropriate, or if any party so requests.[222] During the oral proceedings, the parties are not allowed to introduce new facts or evidence, unless the Opposition Division concludes that such facts or evidence is critically important.[223] The oral proceedings are public.[224]

5. Outcomes of the Opposition Proceeding and Their Effects

There are three possible outcomes of an opposition proceeding in the EPO: (1) revocation of the European patent;[225] (2) rejection of the opposition;[226] and (3) maintenance of the European patent as amended.[227] If a European patent has been revoked, the European patent application and the resulting patent will be deemed to have not had any rights that would have been conferred by a European patent application after publication or by a European patent.[228] The outcome of the opposition proceedings is published in the

[220] *See* M. Trinidad Arriola, *Key Features of the European Patent Office (EPO) Opposition Procedures*, CASRIP NEWSLETTER (Center for Advanced Study and Res. on Intell. Prop, Seattle, WA.), Spring/Summer 1997, *at* http://www.law.washington.edu-/casrip/newsletter/newsv4i2eu1.html. *See also EPC*, *supra* note 194, art. 101(2).
[221] *See* Arriola, s*upra* note 220.
[222] *EPC*, *supra* note 194, art. 116(1).
[223] *See* Arriola, *supra* note 220.
[224] *See EPC*, *supra* note 194, art. 116(4).
[225] *See id.* art. 102(1).
[226] *See id.* art. 102(2).
[227] *See id.* art. 102(3).
[228] *See id.* art. 68.

European Patent Bulletin as soon as the proceedings are concluded.[229]

Even though an opposition is filed with respect to only one or some of the EPC Contracting States in which that patent has effect ("the designated States"),[230] the opposition applies to the European patent in all the designated States.[231] However, the specific effects of an opposition may differ among the designated States, because the patent may contain different claims or different prior art may exist in different designated States.[232] Thus the patent may be amended differently in different designated States, or may be revoked in one or more designated States but not in others.[233]

6. Appeal

Any party to the opposition who is adversely affected by the decision of the opposition may appeal.[234] The other parties to the opposition have the right to be parties to the appeal proceedings.[235] An appeal can be filed even if the European patent has been surrendered, or has lapsed for all the designated States.[236] But the notice of appeal must be filed in writing within two months of the notification of the Opposition Division's decision, and the grounds for appeal must be filed in writing within four months of the notification of such decision.[237]

The appeal is examined by the Board of Appeal.[238] During the examination process, the Board of Appeal, as often as necessary, invites the parties to file observations on communications from another party or from the Board of Appeal itself.[239] The Board of

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[229] *See EPO Opposition Guidelines*, *supra* note 196, pt. D, ch. I, § 8.

[230] Currently there are the twenty-eight Contracting States in the EPC. *See* EPC, *supra* note 194, art. 1. An applicant for a European patent should designate in which of the Contracting States protection for the invention is desired. *See id.* art. 79(1).

[231] *See id.* art. 99(2).

[232] *See EPO Opposition Guidelines*, *supra* note 196, pt. D, ch. I, § 3.

[233] *Id.*

[234] *See EPC*, *supra* note 194, art. 107.

[235] *Id.*

[236] *See id.* art. 106(2).

[237] *See id.* art. 108.

[238] *See id.* art. 110(1).

[239] *See id.* art. 110(2).

Appeal can either make a decision on the appeal, or remand the case back to the Opposition Division for further examination based on the Board of Appeal's legal instructions.[240] When important issues of law are involved, or in order to ensure uniform application of law, the Board of Appeal can refer questions of law to the Enlarged Board of Appeal.[241] The entire opposition procedure, including appeals, may take up to five years or more.[242]

7. Statistics of Use

The drafters of the EPC opposition procedure generally expected, based on prior experience with oppositions at national patent offices, that about 20–25% of the European patents granted would be opposed.[243] Contrary to these forecasts, however, recent studies show that oppositions have been filed against just 6–8% of European patents.[244] Data from recent years show that about 35% of the patents opposed are revoked, about 30% are maintained in an amended form, and about 35% of the oppositions are rejected.[245]

C. United States

1. Brief History of the Reexamination System

Currently, in the United States, a party can challenge the validity of a U.S. patent in a District Court if the party has been

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[240] *See id.* art. 111.

[241] *See id.* art. 112(1)(a). "For giving decisions or opinions, the Enlarged Board of Appeal shall consist of five legally qualified members and two technically qualified members. One of the legally qualified members shall be the Chairman." *Id.* art. 22(2).

[242] *See* Arriola, *supra* note 220.

[243] *See id.*

[244] *See id.* ("At first blush, the number of oppositions filed may seem surprisingly low when compared to the 25% posted by the German Patent Office in earlier years. Although this result may be attributed to disfavor for or dissatisfaction with the opposition procedure, other factors may account for this low turnout. First, trivial and insignificant applications are usually not filed at the EPO but usually remain with the national offices; and second, the EPO boasts a superior search procedure compared to those of the national offices.").

[245] *See id.*

sued for infringement, or in the USPTO through reexamination procedures.[246]

Patent reexamination, i.e., a second examination of an issued patent, was established in 1980 by Congress,[247] which was concerned with the quality of patents and was trying to restore confidence in the patent system.[248] Congress also had other considerations in creating this administrative process of reexamination: to provide a cheaper and quicker way to resolve a patent validity dispute than through District Courts,[249] and to rely on the expertise of the USPTO in evaluating whether a patent should have been granted.[250] We now look at the U.S. reexamination systems in more detail and see whether the objectives of Congress have been achieved.

2. *Ex Parte* Reexamination

As introduced, the reexamination procedure is *ex parte* in nature.[251] Under the U.S. patent law, "[a]ny person at any time may cite to the [Patent] Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent."[252] There is no requirement that the person submitting such prior art request a reexamination.[253] If the person explains in writing the pertinence and manner of applying the prior art to at least one claim of the patent, the prior art and the explanation become part of the official file of the patent.[254] The identity of the person submitting the prior art and the explanation can be kept confidential at such person's request.[255]

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246 *See* 35 U.S.C. §§ 282, 302 (2003).

247 *Id.* §§ 302–307.

248 *See* John Whealan, *Validity Challenges in Re-examination Proceedings*, 7 CASRIP PUBLICATION SERIES, RECONCILING INTERNATIONAL INTELLECTUAL PROPERTY 42, http://www.law.washington.edu/casrip/Symposium/Number7/2A-Whealan.pdf (July 2002). The Federal Circuit was established in the same year. *Id.*

249 *Id.*

250 *Id.*

251 35 U.S.C. §§ 302, 307.

252 *Id.* § 301.

253 *See* Whealan, *supra* note 248, at 42–43.

254 35 U.S.C. § 301.

255 *Id.*

Any person, including the patent owner, at any time, may file in writing a request for (*ex parte*) reexamination of any claim of a patent on the basis of any prior art cited as described in the last paragraph.[256] The request must set forth the pertinence and manner of applying the cited prior art to every claim for which reexamination is requested.[257]

The Patent Office, within three months after the filing of a request for reexamination, will determine whether the request raises a substantial new question of patentability affecting any claim of the patent concerned.[258] Also, the Patent Office may, on its own initiative, determine whether a substantial new question of patentability is raised by patents and publications discovered by the Patent Office or cited by any person.[259] Even if a patent or printed publication was previously considered by the examiner during the prosecution of the patent, it could still raise a substantial *new* question of patentability.[260] If the Patent Office determines that no new substantial question of patentability has been raised by the cited patent or printed publication, such decision is final and may not be appealed.[261]

a) Grounds for Requesting Reexamination

Although the reexamination will be conducted according to the same standards of patentability as for initial examination, the issues that can be considered during a reexamination are much more limited than during the initial examination. They are limited to "substantial new questions of patentability" that are raised by the cited prior art and that have not been previously seen by the examiner.[262] And, since the prior art cited for reexamination

[256] *Id.* § 302.
[257] *Id.* § 302.
[258] *Id.* § 303(a).
[259] *Id.* Such Director-ordered reexaminations are quite rare and are often to address a public outcry against certain patents. Of the 154 reexaminations ordered by the Director since 1981, 87% resulted in the patent being revoked or narrowed in scope. *See* Intell. Prop. L. Bull., *Pfizer Faces Setbacks in Patent Battle over Viagra* (Feb. 19, 2004), *at* http://www.iplawbulletin.com/cgi-bin/absolutenm/anmviewer.asp?a=986.
[260] 35 U.S.C. § 303(a).
[261] *Id.* § 303(c).
[262] *See* Whealan, *supra* note 248, at 43.

purposes can only be patents or printed publications, these issues must arise from the submitted patents or printed publications.[263] The cited prior art can be art that the examiner did not consider during the initial examination, or art that the examiner considered previously but not in the same light.[264] Typically, the patentability issues considered during reexamination are limited to 35 U.S.C. § 102 (novelty) and § 103 (obviousness).[265] Thus, at least theoretically, if what is claimed in the challenged patent is unpatentable subject matter under 35 U.S.C. § 101, such as a perpetual motion machine, the patent cannot be reexamined and invalidated on that basis.[266]

b) Participation by Parties

If the Patent Office allows the request for reexamination, and if the requesting party is not the owner of the challenged patent, the Patent Office will send a copy of the reexamination request to the patent owner.[267] The patent owner has the option to submit statements, including amendments or new claims, for consideration during reexamination.[268] Such amendments or new claims must not enlarge the scope of the patent.[269] And if the patent owner does submit such statements, the requester has an opportunity to respond to the patent owner's statements.[270] But that is all the requester can do in an *ex parte* reexamination—he cannot further

[263] 35 U.S.C. § 301.

[264] *See supra* note 260 and accompanying text.

[265] *See* Whealan, *supra* note 248, at 43. Thus, if the Chinese Viagra patent was invalidated solely based on enablement/written description issues (and no other grounds for invalidation were sustainable), under current U.S. law the same patent in the U.S. probably would not be invalidated.

[266] *See id.* If the new or amended claims proposed by the patent owner during reexamination are being examined for the first time, the examiner can consider §§ 101 and 112, and any other issues that relate to patentability. *See id.* at 44. In addition, the challenger will still have the option of going to court. *See id.* at 43. This illustrates a serious limitation of the current U.S. reexamination procedure, given that the reexamination system was created to provide a cheaper and quicker resolution of a validity dispute than through District Courts. *See id.* at 42.

[267] 35 U.S.C. § 302.

[268] *Id.* § 304.

[269] *See id.* § 305.

[270] *Id.* § 304.

participate.[271] In fact, a requester rarely gets this limited chance to participate. Few patent owners would submit statements after receiving the reexamination order, because doing so would permit the requester a second chance to attack the patent.[272]

c) Who Does the Reexamination?

Who at the USPTO conducts the reexamination? Is the task entrusted to a panel of expert examiners, like those in Japan, the EPO, or China? Actually none of the above. The USPTO treats reexamination truly as examination for a second time, and conducts the reexamination in the same fashion as the patent application was examined in the first instance.[273] But it is said that the Patent Office does try to do the reexamination faster and more carefully than an initial application.[274] Historically, the examiner chosen for the reexamination had generally been the examiner who examined the initial application that issued into the challenged patent.[275] Recently, the USPTO adopted a general policy to assign the reexamination to an examiner different from the examiner(s) who examined the initial application.[276] Another recent change in the reexamination practice is that, to enhance the quality of *ex parte* reexamination, a "patentability review conference" will be convened in each *ex parte* reexamination proceeding (1) just before issuing a final rejection of claims, and (2) just before

[271] *See* Whealan, *supra* note 248, at 43.

[272] *See id.*

[273] *See* 35 U.S.C. § 305 ("[R]eexamination will be conducted according to the procedures established for initial examination."); s*ee also* Whealan, *supra* note 248, at 43.

[274] *See* 35 U.S.C. § 305 ("All reexamination proceedings under this section . . . will be conducted with special dispatch within the Office."); *see also* Whealan, *supra* note 248, at 43.

[275] USPTO, *Change in Policy of Examiner Assignment in Ex Parte Reexamiation Proceedings and Establishment of Patentability Review Conferences in Ex Parte Reexamination Proceedings*, 1237 OG 138 (Aug. 29, 2000), http://www.uspto.gov-/web/offices/com/sol/og/2000/week35/patreex.htm.

[276] *Id.* An exception to this general policy will apply if, for example, the original examiner is the only examiner with adequate knowledge of the relevant technology. *Id.*

issuing a Notice of Intent to Issue Reexamination Certificate to confirm or allow claims.[277]

3. *Inter Partes* Reexamination

In 1999, the American Inventors Protection Act (AIPA)[278] introduced "*inter partes* reexamination" into the U.S. reexamination system.[279] The biggest difference between *ex parte* reexamination and *inter partes* reexamination is that the latter allows the requestor to participate in the process and to respond to everything the patent owner says.[280] Also, unlike *ex parte* reexamination, the request for *inter partes* reexamination must provide the identity of the real party in interest.[281]

Several aspects of the *inter partes* reexamination are similar to those of the *ex parte* reexamination: any third party can, at any time, file a request for *inter partes* reexamination of a patent;[282] the prior art that can be relied upon for *inter partes* reexamination is the same as for *ex parte* reexamination;[283] the request must be in writing and must set forth the pertinence and manner of applying the cited prior art to every claim for which reexamination is requested;[284] the Patent Office will determine whether the request raises a substantial new question of patentability affecting any claim of the patent;[285] the reexamination will be conducted

[277] *Id.* The patentability review conference will consist of three members, one of whom will be the examiner in charge of the reexamination. The other two members will be examiners, such as Primary Examiners, who are knowledgeable in the technology of the invention and/or who are experienced in reexamination practice. *Id.* This seems to be in part an effort by the USPTO to address the perception that the *ex parte* reexamination proceeding is unduly favorable to the patentee. *See id.*

[278] The American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1537-544 (codified as amended in scattered sections of 35 U.S.C.), *available at* http://www.uspto.gov/web/offices/dcom/olia/aipa/index.htm [hereinafter AIPA]. The AIPA was later amended. Intellectual Property and High Technology Technical Amendments Act of 2002, Pub. L. No. 107-273, 116 Stat. 1758.

[279] The provisions of the AIPA regarding *inter partes* reexamination are codified in 35 U.S.C. §§ 311–318 (2003).

[280] *See* Whealan, *supra* note 248, at 47; *see also* 35 U.S.C. § 314(b).

[281] 35 U.S.C. § 311(b)(1).

[282] *See id.* § 311(a).

[283] *See id.*

[284] *Id.* § 311(b)(1)–(2).

[285] *Id.* § 312(a).

according to the procedures established for initial examination;[286] the patent owner is permitted to propose non-broadening amendments and/or new claims;[287] and all the proceedings are conducted with special dispatch.[288] Also, neither the requester nor the patent owner can appeal the Patent Office's determination of whether the request raises a substantial new question of patentability affecting any claim of the patent.[289]

Regarding the back-and-forth nature of the *inter partes* process, any documents filed by either the patent owner or the requester, except the request for reexamination itself, are served on the other party.[290] In addition, the requester is entitled to receive a copy of any communication the Patent Office sends to the patent owner concerning the reexamination.[291] Each time the patent owner files a response to a Patent Office Action on the merits, the third-party requester will be given one opportunity to file written comments addressing issues raised by the Office Action or the patent owner's response thereto.[292]

4. Appeal

The patent owner in either an *ex parte* or an *inter partes* reexamination can appeal from any decision adverse to the patentability of the patent reexamined.[293] Such an appeal should be filed to the Board of Patent Appeals and Interferences (BPAI).[294] If not satisfied with the final decision of the BPAI, the patent owner can then appeal to the United States Court of Appeals for the Federal Circuit (CAFC).[295]

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[286] *Id.* § 314(a).
[287] *See id.* § 314(a).
[288] *Id.* § 314(c).
[289] *Id.* § 312(c). Whereas in an *ex parte* reexamination proceeding, the statute expressly prohibits only the requester from appealing a determination that no new substantial question of patentability has been raised. *See supra* note 261 and accompanying text.
[290] *See id.* § 314(b)(1) ("With the exception of the inter partes reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party.").
[291] *See id.*
[292] *See* § *id.* 314(b)(2).
[293] *See id.* §§ 306, 315(a)(1).
[294] *See id.* § 134(b).
[295] *See id.* § 141.

Although the requester in an *ex parte* reexamination does not have the right to appeal from a decision of the *ex parte* reexamination,[296] a third-party requester in an *inter partes* proceeding may appeal to the BPAI from a final decision favorable to the patentability of the challenged patent or part thereof.[297] And if the third-party requester is not satisfied with the final decision of the BPAI, it can then appeal to the CAFC.[298]

Both the patent owner and the third-party requester are entitled to be a party to any appeal taken by the other party.[299] If, in an *inter partes* reexamination, any claim of the challenged patent is found valid after exhaustion of appeal, the third-party requester cannot at a later time challenge the validity of such claim in a civil trial (such as in a District Court) based on any ground that the third-party requester raised or could have raised during the *inter partes* reexamination proceedings.[300] This estoppel does not apply, however, if the assertion of invalidity in the civil trial is based on newly discovered prior art unavailable to the third-party requester or the USPTO at the time of the *inter partes* reexamination.[301] Nevertheless, this estoppel is an important concern for third-party requesters.[302]

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[296] The requester is not considered a party to the ex parte reexamination process, and the statutory provision regarding appeal from a decision in an ex parte reexamination only provides the patent owner a right to appeal from adverse decisions. *See id.* § 306.

[297] *Id.* § 134(c).

[298] *Id.* § 141. The AIPA as originally enacted specifically precluded the third-party requester of the *inter partes* reexamination from appealing a decision of the BPAI to the CAFC. *See id.* § 134(c), *amended by* AIPA, 113 Stat. 1501A-571. The 2002 amendment to the AIPA changed this. *See* Changes to Implement the 2002 Inter Partes Reexamination and Other Technical Amendments to the Patent Statute, 68 Fed. Reg. 70996 (Dec. 30, 2003), *available at* http://www.uspto.gov/web/offices/com/sol-/og/2004/week03/patchng.htm (last visited Oct. 29, 2004).

[299] *See* 35 U.S.C. §§ 315(a)(2), 515(b)(2). The AIPA as originally enacted did not permit the third party requester to participate in an appeal taken by the patent owner to the CAFC. The 2002 amendment to AIPA provided this right to the third-party requester. *See* Changes to Implement the 2002 Inter Partes Reexamination and Other Technical Amendments to the Patent Statute, 68 Fed. Reg. 70996 (Dec. 30, 2003).

[300] *See* 35 U.S.C. § 315(c).

[301] *See id.*

[302] *See* Whealan, *supra* note 248, at 47.

5. Outcomes of the Reexamination and Their Effects

In both an *ex parte* and an *inter partes* reexamination, when the time for appeal has expired or any appeal proceeding has terminated, the Patent Office will issue and publish a certificate indicating the status of the reexamined patent.[303] Any claim of the patent, including a claim added or amended during reexamination, could be found either patentable, unpatentable, or patentable as amended.[304] The new or amended claims in a reexamined patent are enforceable subject to certain third-party intervening rights.[305]

6. Statistics of Use

It generally takes one to two years to complete an *ex parte* reexamination, even though reexamination is given top priority in the USPTO.[306] Interestingly, third parties requested about 55%, and patent owners about 43%, of the reexaminations.[307]

A 2001 report revealed that, during the first twenty years after the inception of *ex parte* reexamination, there had been on average about 300 reexaminations per year, which was about 0.2% of the average 150,000 patents issued each year.[308] In recent years, the fraction of issued patents that have been reexamined is even smaller than 0.2%.[309] There had been a decrease in the number of reexamination requests since the 1996 CAFC decision in *In re Recreative Technologies Corp.*,[310] which held that the challenger of a patent cannot in reexamination rely on art already cited during initial prosecution of the patent application, even though the art raises new questions during reexamination.[311] This rule has since

303 *See* 35 U.S.C. §§ 307(a), 316(a).
304 *See id.* §§ 307(a), 316(a).
305 *See id.* §§ 252, 307(b), 316(b).
306 *See* Whealan, *supra* note 248, at 44.
307 *See id.*
308 *See id.*
309 *See* USPTO, *Performance and Accountability Report Fiscal Year 2003*, *at* http://www.uspto.gov/web/offices/com/annual/2003/060401_table1.html (last modified Feb. 13, 2004).
310 83 F.3d 1394 (Fed. Cir. 1996); *see also* Whealan, *supra* note 248, at 44.
311 *See* Whealan, *supra* note 248, at 45.

been preempted by the November 2002 amendments of the AIPA, as embodied in 35 U.S.C. § 303(a).[312]

Of the reexamined patents at the USPTO, about 26% were maintained unchanged, about 10% are revoked in full, and about 64% are maintained after some amendments.[313] The requests for reexamination seem to spread evenly across different technological areas.[314]

The *inter partes* reexamination has been scarcely used since its inception in November 1999. From that time until November 2002, it has been used only four times.[315] One proposed explanation for this is that there had not been many patents eligible for *inter partes* reexamination—it takes about two years for a patent to issue and *inter partes* reexamination applies only to patents filed and issued after November 29, 1999.[316] Now that more time has passed, are we seeing a different picture?

During the first twelve weeks of 2004, the USPTO Official Gazette published seventy-seven requests for *ex parte* reexamination, but only six requests for *inter partes* reexamination.[317] Interestingly, twenty-two of the seventy-seven *ex parte* reexamination requests—nearly 30%—could have been filed as *inter partes* reexamination, because the patents concerned were filed after November 29, 1999.[318] The rarity of *inter partes* reexamination, therefore, may not be explained by the fact that only patents filed and issued after November 29, 1999 are eligible for *inter partes* reexamination. If the *inter partes* reexamination procedure does not encourage third parties to file requests for reexamination (relative to the *ex parte* procedure), then the

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[312] Pub. L. No. 107-273, § 13105, 116 Stat. 1900 (codified as amended by 35 U.S.C. § 303(a) (2002)); *see also supra* notes 260, 264 and accompanying text.

[313] *See* Whealan, *supra* note 248, at 45.

[314] *See id.*

[315] *See FTC Report*, *supra* note 17, ch. 5, at 16.

[316] *See* Whealan, *supra* note 248, at 47.

[317] *See* USPTO, *Official Gazette Notices for 2004*, http://www.uspto.gov/web/offices-/com/sol/og/2004/2004.htm (last visited Oct. 29, 2004).

[318] *See id.*

introduction of *inter partes* reexamination will not result in an increase in the overall usage of the reexamination procedure.[319]

IV. CHINA'S POST-GRANT INVALIDATION SYSTEM IN COMPARISON WITH THOSE OF THE TRILATERAL OFFICES

In today's patent world, many patents are of poor quality and are invalid.[320] In the United States, for example, great concern has been raised about the number of questionable patents issued.[321] It is reported that the USPTO approves as many as 97% of the applications placed before it.[322] Patents for "business methods" implemented in software are frequently of very poor quality, because patents in this area are routinely issued overlooking clearly anticipating prior art.[323] Biotech firms, while regarding patents as the basis for their industry, are concerned that overbroad patents may discourage further innovation in biotechnology.[324] Budgetary limitations, an exploding filing rate, and the expanding range of patentable subject matter are cited as reasons for the decline in the quality of U.S. patents.[325] This problem, however, is not unique to the U.S.; the JPO and EPO, for example, are facing equally challenging circumstances.[326] The fact that about two-thirds of the opposed patents in the EPO were either revoked in full or amended underscores the concern about patent quality.[327]

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[319] An estimation based on the data from the Official Gazette Notices for 2004 suggests that there will be over 300 requests for reexamination in 2004, a number not too far from the recent average of about 250 requests per year. *See id.*

[320] *See* Scott R. Boalick, *Patent Quality and the Dedication Rule*, 11 J. INTELL. PROP. L. 215, 240 (2004).

[321] *See FTC Report*, *supra* note 17, Executive Summary, at 5.

[322] *See* John R. Thomas, *The Responsibilities of the Rulemaker: Comparative Approaches to Patent Administration Reform*, 17 BERKELEY TECH. L.J. 727, 728 (2003) (citations omitted).

[323] *See* Robert P. Merges, *As Many as Six Impossible Patents before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 589 (1999).

[324] *See FTC Report*, *supra* note 17, Executive Summary, at 5 n.16.

[325] *See* Thomas, *supra* note 322, at 728.

[326] *See id.* at 728–29.

[327] *See supra* Part III.B. The situation in the United States is similar: only 26% of the reexamined patents were maintained unchanged. *See supra* note 313 and accompanying text.

The poor quality of patents makes a functional post-grant invalidation procedure extremely important. The examination of a patent application is essentially an *ex parte* process in the Patent Offices, involving only the applicant and the Patent Office.[328] It is unrealistic to expect that the examiner will always have all the relevant information or knowledge for a proper examination of the patent application.[329] Third party competitors in the same field as the applicant, however, may have the best information and expertise, as well as the incentive, to assist in the evaluation of a patent application.[330] Thus, third party participation in the patenting process will help improve patent quality. However, to avoid delays in the grant of patents and to prevent harassment of patent applicants, the procedure for challenging a patent should be after the patent issues.[331]

The purpose of a post-grant patent invalidation system is to provide an efficient, cost-effective, and reliable mechanism for third parties to challenge a granted patent, thereby improving the quality of patents. To achieve this goal, an invalidation system should (i) allow challenges to a patent right to be based on any issues concerning patentability,[332] (ii) allow full participation of the third-party challenger, (iii) employ a highly-qualified panel for reexamination, and (iv) provide a valid decision in a timely manner. Obviously, balancing would be needed among some of these aspects, such as between time limits and the extent to which the parties involved are allowed to fully present their arguments and evidence.

Against the backdrop of such a desired system, how does China's invalidation system, or that of the USPTO, EPO or JPO, measure up? In Table 1, several key aspects of China's current patent invalidation system are compared with those of the trilateral

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328 *See FTC Report*, *supra* note 17, Executive Summary, at 9.

329 *See id.*

330 *See FTC Report*, *supra* note 17, Executive Summary, at 8.

331 *See id.* Consistent with this principle, both China and Japan have abolished their pre-grant revocation procedures in the 1990s. *See supra* Parts II, III.A.

332 The position of the U.S. Federal Trade Commission is that "[a]t a minimum, patent challengers should be able to raise issues of novelty, nonobviousness, written description, enablement, and utility." *See FTC Report*, *supra* note 17, Executive Summary, n.26.

offices.[333] A more in-depth discussion of the practices in the four Patent Offices is presented below. This analysis focuses on grounds for requesting invalidation, participation by third-party requester, expertise of the reexamination panel, efficiency, and frequency of usage.

A. Grounds for Challenging a Patent

In China, challenges to the validity of a patent may be based on any grounds concerning patentability.[334] This is commensurate with, if not broader than, the scope of allowable grounds in the JPO and the EPO, but is clearly much broader than the limited grounds permissible in the United States (i.e., novelty and obviousness).[335] Moreover, similar to the JPO and EPO practice, in SIPO prior art disclosure of the invention could be "by any way,"[336] in contrast to the U.S. requirement that only patents or printed publication can be prior art for post-grant invalidation purposes.[337]

With respect to novelty under Chinese Patent Law,[338] "disclosure" includes disclosure by publication and non-publication disclosure.[339] Publication disclosure refers to disclosure in the form of printed or typed paper documents, film, tape, CD-ROM, photograph, etc.[340] Non-publication disclosure refers to disclosure by various forms other than publication, such

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[333] *See supra* Parts II–III.

[334] *See supra* Part II.B.

[335] *See* Japan Patent Law, *supra* note 167, § 123.1; *EPC*, *supra* note 194, art. 100; 35 U.S.C. § 102 (2003).

[336] *See EPC*, *supra* note 194, art. 54(2) ("The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or *in any other way*, before the date of filing of the European patent application.") (emphasis added); *see also supra* Part III.A–B.

[337] 35 U.S.C. § 301 (2003).

[338] *See* Chinese Patent Law, *supra* note 27, art. 22.2 ("Novelty means that, before the date of filing, no identical invention or utility model has been *publicly disclosed in publications* in the country or abroad or has been publicly used *or made known to the public by any other means* in the country . . . .") (emphasis added).

[339] *See* Guidelines, *supra* note 42, pt. IV, ch. 1, § 12; pt. II, ch. 3, § 2.1.3 ("Methods of Disclosure: The methods of disclosure include disclosure by publications, disclosure by use and disclosure by other methods.").

[340] *See id.* pt. II, ch. 3, § 2.1.3.1 ("Disclosure by Publication").

as use disclosure,[341] oral disclosure,[342] and disclosure by non-publication carrier.[343]

To improve patent quality, such a broad definition of disclosure is critical. In performing a substantive examination of a patent application, it is far more difficult for the examiner to be aware of technology disclosed by use or known to the public through methods other than publication or patents. The prior art before the examiner mainly refers to technology disclosed in publications or patents.[344] Thus, allowing the third party challenger to attack the validity of a patent based on issues of patentability arising from non-publication art is an important feature of an effective post-grant invalidation procedure. Of course, a third-party requester should be required to make a suitable threshold showing of material issues regarding patentability.[345]

B. Participation by Third-Party Requester

Given the value a third-party requester may add to the patenting process, a post-grant invalidation system should allow ample opportunity for the third-party requester to participate in the reexamination process. In the SIPO, as well as in the EPO and the JPO, the invalidation proceedings are *inter partes* in nature, and the third-party requester is given ample opportunity for participation, such as through oral proceedings.[346] "The EPO has long recognized the inadequacies in simply assigning to third parties the role of informant or *amicus curiae* and then leaving it to the Patent Office to use the [cited prior art] material as it sees fit. Rather, the European Patent Convention (EPC) grants full party status to such participants, thus giving them some control on the way the material they provide is handled."[347] In the JPO, the invalidation proceeding is literally called a "trial,"[348] in effect

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341 *See id.* pt. IV, ch. 1, § 12.2.5 ("Use Disclosure").
342 *See id.* pt. IV, ch. 1, § 12.2.6 ("Oral Disclosure").
343 *See id.* pt. IV, ch. 1, § 12.2.7 ("Disclosure by Non-publication Carrier").
344 *See id*. pt. II, ch. 3, § 2.3.
345 *See FTC Report*, *supra* note 17, Executive Summary, at 8.
346 *See supra* Parts II–III.
347 *See* Arriola, *supra* note 220.
348 *See generally* Japan Patent Law, *supra* note 167, ch. VI, § 123 (referring to invalidation proceedings as "trials").

granting the requester full-party status.[349] A requester enjoys a similar status in an invalidation proceeding in the SIPO.[350]

In the USPTO, patent reexamination can be either an *ex parte* or an *inter partes* procedure.[351] In an *ex parte* reexamination, third-party participation is extremely limited. Besides the filing of a reexamination request, a third-party requester's only other opportunity for participation is to respond to the patent owner's statements in response to the reexamination request.[352] In reality, the third party rarely gets even this limited opportunity for participation because patent owners typically do not submit statements in response to the reexamination request.[353] In response to this widely criticized limitation of *ex parte* reexamination, *inter partes* reexamination was introduced by the AIPA in 1999.[354] A third-party requester in an *inter partes* reexamination can participate in the reexamination and respond to everything the patent owner says by filing written comments.[355]

All the post-grant invalidation procedures of China, the EPO and Japan allow oral proceedings involving both the requester and the patent owner.[356] In China, as in the JPO and the EPO, oral proceedings are ordered either at the request of the parties, or based upon the need of the case as determined by the Reexamination Board.[357] Also, the oral proceedings are held publicly.[358] In the USPTO, however, the reexamination is treated as another patent application examination,[359] and would therefore be *ex parte* in nature (except that in an *inter partes* reexamination, the third-party requester may participate through filing *written*

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[349] *See supra* Part III.A.
[350] *See supra* Part II.D.
[351] *See supra* Part III.C.
[352] *See supra* notes 270–71 and accompanying text.
[353] *See supra* note 272 and accompanying text.
[354] *See supra* note 279 and accompanying text.
[355] *See supra* notes 280, 290, 292 and accompanying text.
[356] *See supra* Parts II–III.
[357] *See supra* notes 109 (China), 172 (JPO), 216 (EPO) and accompanying text.
[358] *See supra* notes 96, 111. For the EPO, *see supra* note 224. In the JPO, an oral proceeding is generally the format of the invalidation trial. *See supra* note 172 and accompanying text.
[359] *See supra* note 273 and accompanying text.

submissions[360]). Hence, even if there is an interview, it would not be open to the public, and the third-party requester would not be allowed to participate.

C. Expertise of the Reexamination Panel

Just as the expertise of the patent examiner affects the quality of the initial examination of a patent application, the expertise of the reexamination panel in a patent invalidation case affects the quality of the reexamination. The quality of reexamination in turn affects the usage of the invalidation system. Typically, only patents that are economically important are challenged. Because of the economic consequences at stake for both the patentee and the third party requester, it makes sense to entrust the role of reexamining the challenged patents to highly-experienced examiners in order to ensure a reliable determination of the validity of the challenged patents.

The composition of China's reexamination panel is similar to those of the EPO and the JPO. China's Patent Reexamination Board consists of experienced technical and legal experts of the SIPO.[361] To further ensure the quality of the reexamination, cases involving great economic interests and/or important legal issues are examined by a three- to five-member panel.[362] An examiner who was involved in the initial examination of the application leading to the challenged patent cannot serve on the reexamination panel.[363] Similar collegiate panels are used in the EPO (typically a three-member panel of technical examiners, which can be enlarged by the addition of a legally qualified examiner)[364] and the JPO (a three-member panel of examiners with at least ten years of patent examination experience).[365] Also, to ensure the quality and fairness of the reexamination (opposition), the EPC requires that

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[360] *See supra* notes 290–92 and accompanying text.

[361] *See supra* note 84 and accompanying text.

[362] *See supra* notes 85–89 and accompanying text. Simple cases, typically not involving invention patents, can be examined by a sole examiner. *See supra* note 85 and accompanying text.

[363] *See supra* note 90 and accompanying text.

[364] *See supra* note 216 and accompanying text.

[365] *See supra* note 175 and accompanying text.

the Chairman, the optional legal examiner, and at least two of the three technical examiners of the Opposition Division must not have taken part in the proceedings for grant of the patent.[366] In the JPO, the invalidation trial is handled by the Board of Appeals and Trials, instead of by the examiner who initially approved the patent.[367]

In contrast, again, the USPTO adopts a different approach: a single examiner conducts the reexamination instead of a panel of examiners[368] (although, in an *ex parte* reexamination, a "patentability review conference" *just before* issuing a final decision has been recently introduced[369]). Other than familiarity with the claimed subject matter of the patent, there is no special requirement regarding the qualifications of the single examiner undertaking the reexamination. A recent policy, however, does require, with exceptions, that the examiner not be the same individual who originally allowed the patent application.[370] While the examiner chosen for the reexamination is supposed to perform the reexamination more carefully than he or she examines an initial application,[371] there still exists a concern that reexamination unduly favors the patentee.[372]

D. Efficiency/Timeliness

One of the problems with China's post-grant invalidation system is that it takes up to two years for the Reexamination Board to issue a decision.[373] In China, reevaluation of the validity of a granted patent is the sole province of the SIPO Patent Reexamination Board.[374] The Chinese Patent Law does not provide a mechanism to accelerate the invalidation proceedings when litigation is pending in a People's Court.[375] Although the

366 *See supra* note 216 and accompanying text.
367 *See supra* note 173 and accompanying text.
368 *See supra* note 273 and accompanying text.
369 *See supra* note 277 and accompanying text.
370 *See supra* note 276 and accompanying text.
371 *See supra* note 274 and accompanying text.
372 *See FTC Report*, *supra* note 17, Executive Summary, at 16.
373 *See* East IP Group, *supra* note 58.
374 *See supra* note 120 and accompanying text.
375 *See id.*

People's Courts have discretion in whether to stay the litigation when an invalidation proceeding is pending in the SIPO, such a stay is not common in cases involving invention patents.[376] A patent found infringed by a People's Court may be later declared invalid by the SIPO Patent Reexamination Board and the SIPO's invalidation decision will not have retroactive effect.[377] Thus, the Chinese post-grant invalidation system can be improved by providing mechanisms to speed up the invalidation process and to stay a litigation in court once an invalidation request is made in SIPO.[378] Corresponding rules can also be enacted to deter undue delay and harassment via invalidation requests.

The average time the USPTO takes to grant a patent is about two years.[379] Although reexamination is given top priority in the USPTO, it generally takes one to two years to complete an *ex parte* reexamination.[380] One can expect that an *inter partes* reexamination would probably take longer than an *ex parte* reexamination due to the participation of the third-party requester. The duration of an invalidity trial in the JPO does not differ significantly from that of the SIPO or the USPTO. The JPO's goal is to conclude invalidation trials within fifteen months.[381]

The EPO, however, takes longer to conclude an opposition. It is estimated that the entire opposition process, including appeals, may take up to five years or more.[382] The delay is largely because

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[376] *See supra* note 124 and accompanying text. It is likely that invalidation requests involving invention patents are resolved more quickly by the Patent Reexamination Board because such patents (but not utility model or design patents) have been substantively examined before grant. Thus, delays by an accused infringer of an invention patent, through requesting an invalidation proceeding, are rarer than in cases involving infringement of utility model or design patents. *See* Louis S. Sorell, *A Comparative Analysis of Selected Aspects of Patent Law in China and the United States*, 11 PAC. RIM L. & POL'Y J. 319, 334 (2003).

[377] *See supra* notes 117, 121 and accompanying text.

[378] An example of such a stay of litigation in the U.S.: a federal judge in the District Court for the District of Delaware has put on hold the lawsuit filed by Pfizer against Eli Lilly and Icos Corp. for alleged infringement of its Viagra patent while the USPTO reexamines the Viagra patent. *See Pfizer Faces Setbacks in Patent Battle over Viagra*, *supra* note 259.

[379] *See supra* note 309.

[380] *See supra* note 306 and accompanying text.

[381] *See supra* note 174 and accompanying text.

[382] *See* Arriola, *supra* note 220.

the Opposition Division desires to give each party the full opportunity to present its comments on all important issues and to take account of every relevant document, argument, or piece of evidence, even if they are submitted late.[383] Thus, to make a post-grant invalidation procedure a true alternative to costly and lengthy litigation, it is critical to balance the quality and efficiency of the post-grant reexamination process.[384]

E. Frequency of Usage/Popularity

"No post-grant [patent invalidation] procedure will be successful unless it is used."[385] As Table 1 shows, the frequency of the usage of the SIPO invalidation procedure, at about 2%, is low when compared to that of the EPO and the projected rate of usage of the invalidation trial at the JPO.[386] The reason for this lower rate of use, however, may at least in part have to do with China's still developing IPR system and the public's still growing consciousness of IPR protection. With both the number of patent grants and the number of patent infringement suits growing rapidly each year, it would not be surprising to see an increase over time in the percentage of granted patents that are subject to invalidation challenges.

The EPO opposition procedure is the most frequently used among the invalidation systems of the four Patent Offices, with a rate of 6–8% of granted patents.[387] Despite the length of time it takes for a final decision, the EPO opposition procedure is preferred over individual national proceedings because the opposition decision will have effect in all designated States.[388] Moreover, the EPO panel conducting the opposition consists of members who are technically-qualified, as compared to judges

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383 *See id.*; *see also supra* notes 220–23 and accompanying text.

384 Despite the relatively lengthy EPO opposition procedure, it is the mostly heavily used patent invalidation process among the four patent offices, largely due to the effect of an EPO opposition decision in all designated member states. *See infra* Part IV.E.

385 *See FTC Report*, *supra* note 17, Executive Summary, at 20.

386 *See supra* note 144 and accompanying text.

387 *See supra* notes 143, 190, 244, 308–09 and accompanying text.

388 *See* Arriola, *supra* note 220; *see also supra* note 231 and accompanying text.

who preside over national proceedings and are essentially trained only in the law.[389]

Interestingly, one commentator further observes that:

> [D]ifferent attitudes regarding the use of the opposition procedure may affect its eventual use by a third party. On the one hand, companies based in countries which have long been familiar with opposition procedures, e.g. Germany, view opposition as an extension of examination in order to limit a competitor's right while involving only a reasonable amount of effort. Consequently, the procedure is viewed not as an act of aggression but rather as a method of defining a competitor's territory. . . . On the other hand, a different attitude is evident by companies based in other countries where oppositions were not the norm prior to joining the EPC. Because such parties view opposition as tantamount to legal action or an act of aggression against the patentee, their use of the opposition procedure is minimal.[390]

According to this observation, one might expect that the same EPO opposition system would be used less frequently in China and Japan, where people have been considered to be traditionally less litigious than Western people.[391]

The JPO trial for invalidity is expected to be used fairly frequently, at about 4%, based on past experiences with the previous post-grant opposition and invalidation procedure.[392]

The reexamination procedure of the USPTO, in stark contrast with that of the EPO, shows a strikingly low frequency of use, with less than 0.2% of the granted patents subjected to reexamination.[393] Moreover, the patent owner files 43% of the reexamination

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389 *See* Arriola, *supra* note 220.

390 *See id.*

391 *See, e.g.*, FRANK K. UPHAM, LAW AND SOCIAL CHANGE IN POSTWAR JAPAN 1, 299 n.1 (1987). Both the Chinese and Japanese societies are deeply influenced by the Confucian ideals of social harmony. *See id.* at 1.

392 *See supra* note 190 and accompanying text.

393 *See supra* notes 308–09 and accompanying text.

requests.[394] The main reason for this low usage seems to lie in the U.S. reexamination system itself, rather than with any cultural explanation.

There are numerous roadblocks for a third-party requester of patent reexamination in the U.S., including, as discussed above, very limited grounds for reexamination, no oral proceedings for the third-party requester, and the need to reveal the identity of the party of true interest requesting an *inter partes* reexamination.[395] Additionally, the estoppel rule prohibiting a third-party requester from using the same art in later litigation has significant deterring effect.[396] Another factor disfavoring reexamination may be that third-party challengers lack confidence in the system because it does not employ a panel of highly experienced examiners for the reexamination. Thus, third-party competitors in the U.S. may choose to challenge the patent's validity in courts, but only if they are allowed to do so by the patent owner, i.e., after being sued by the patent owner for infringement.[397] And if litigation does occur, it typically costs millions of dollars and takes years to resolve.[398]

The above comparative analysis indicates that, while the post-grant patent invalidation system in China is similar to those of the EPO and the JPO in most aspects, it is very different from that of the USPTO, which has not been successful, as evidenced by its conspicuously low frequency of use. There have been numerous proposals for reforming the U.S. reexamination system (including the new *inter partes* reexamination) towards an administrative system that resembles those of the EPO, JPO, as well as SIPO.[399]

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394 *See supra* note 307 and accompanying text.

395 *See supra* note 281 and accompanying text.

396 *See supra* notes 300–02 and accompanying text.

397 *See FTC Report*, *supra* note 17, Executive Summary, at 6.

398 *See id.*

399 *See generally FTC Report*, *supra* note 17, ch. 5, pt. III**;** USPTO, 21st Century Strategic Plan, *Post-Grant Review of Patent Claims* (Apr. 2, 2003), http://www.uspto.gov/web/offices/com/strat21/action/sr2.htm (last visited Oct. 29, 2004); Janis, *supra* note 17; Kristen Jakobsen Osenga, *Rethinking Reexamination Reform: Is it Time for Corrective Surgery, or Is it Time to Amputate?*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 217 (2003); Mossinghoff & Kuo, *supra* note 150; Allan M. Soobert, *Breaking New Grounds in Administrative Revocation of U.S. Patents: A Proposition for Opposition—and Beyond*, 14 SANTA CLARA COMPUTER & HIGH TECH. L.J. 63 (1998).

Obviously, if a global patent system is ever to become a reality,[400] the U.S. patent reexamination system must come closer to the practice of the rest of the world.

CONCLUSION

Patent law must strike a delicate balance between granting monopoly rights to inventors and protecting the public from the anti-competitive effects of monopolies.[401] A functional post-grant patent invalidation system that improves the quality of patents is one of the best means for achieving this balance.[402] In an effort to improve its economy and to comply with the TRIPS requirements as a member of the WTO, China has been actively improving its patent law system, including the post-grant patent invalidation procedure.

For those who are unfamiliar with the development and current status of China's IP law and practice, it may come as a surprise that the Chinese post-grant patent invalidation system closely resembles the relatively successful invalidation procedures of the European Patent Convention and Japan.[403] The recently adopted practice of posting detailed decisions on the Internet has increased the transparency of judicial resolution of IPR cases, including

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[400] A global patent system is now a 120-year dream. *See* Michael N. Meller, *Planning for a Global Patent System*, 80 J. PAT. & TRADEMARK OFF. SOC'Y 379, 379 (1998).

[401] *See* Arriola, *supra* note 220.

[402] *See id.*

[403] It will be less of a surprise if the reader learns about the serious effort the Chinese have taken to set up and improve their IP system. For example, to figure out how to construct its first Patent Law of March 12, 1984, China dispatched delegations to major industrial nations, including the United States, West Germany, and Japan; to relatively prosperous socialist states such as Romanian and Yugoslavia; and to major international intellectual property organizations such as the World Intellectual Property Organization (WIPO) and the UN Education, Science and Cultural Organization. *See* ALFORD, *supra* note 18, at 69. "The full patent laws of some 35 jurisdictions were translated and those of more than 100 other nations summarized," the experience of Hong Kong was studied, and inside China, the views of cadres in factories, scientific research institutes, universities and government agencies were solicited. *Id.* "In the end, the drafting committee spent more than five years, during which it went through some 20 drafts prior to finally producing a bill," which was passed only after the National People's Congress (NPC) further amended it. *Id.*

appeals from SIPO's patent invalidation decisions.[404] These may be reasons to have more confidence in a fair resolution of Pfizer's pending appeal of the invalidation of the Viagra patent. Regardless of the outcome of the appeal, an important lesson from the Viagra case is that, in anticipation of likely challenges to the validity of economically significant patents, multinational companies should understand the law and practice of the Chinese post-grant patent invalidation system, and adopt best practices in the acquisition and maintenance of patent rights in China.

[404] *See supra* note 13 and accompanying text.

TABLE 1. KEY FEATURES OF POST-GRANT PATENT INVALIDATION SYSTEMS IN CHINA AND THE TRILATERAL PATENT OFFICES

	China	Japan	EPO	U.S.
Requester	Any person	Any person	Any person except patent owner	Any person
ID of true party in interest	No	No	No	Yes if *inter partes*
Time for request	Any time after grant	Any time after grant, even after patent expires	Within 9 months of grant, even if patent lapsed	Any time after grant
Requester participation	*Inter partes*	*Inter partes*	*Inter partes*	*Ex parte* & limited *inter partes*
Oral proceeding	Conducted per party's request or Board discretion; public	Oral proceeding is the general format	Conducted per party's request or Division discretion; public	Mostly documentary proceeding, as in initial examination
Grounds for request	Any ground on which a patent can be found invalid	Almost any ground on which a patent can be found invalid	novelty, inventive step, utility, subject matter, insuff. disclosure, inappr. extn. of protection scope, pub. interest, morality	Typically §§ 102 & 103 issues based on patents, printed publications

Reexamination panel	Sole member or 3-5 member panel of highly experienced examiners not involved in initial examination	3-member panel; highly experienced and qualified examiners not involved in initial examination	3-member Division of technical examiners; enlargeable by a legal examiner; limited role by initial examiner	One regular examiner, according to procedures established for initial examination
Right to appeal	Both requester and patentee within 3 months	Both requester and patentee, within 90 days	Both requester and patentee, within 2 months	Patentee; requester only if *inter partes*
Efficiency	~ 2 years	Goal: 12-15 months	5 or more years, if incl. appeal	special dispatch; ~ 1-2 years
Frequency of usage	Frequent, ~ 2% (relative to # of patent grants)	Expected to be frequent (~ 4%)	Frequent, ~ 6-8%	Very infrequent, especially *inter partes* (< 0.2% for *ex parte*)
	China	Japan	EPO	U.S.