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ESSAYS

INTER PARTES PATENT REEXAMINATION

Mark D. Janis*

INTRODUCTION

Inter partes reexamination has arrived in U.S. patent law at a propitious moment, it might seem. The U.S. patent system is enduring a time of genuine volatility as the United States Patent and Trademark Office (“PTO”) teaches itself how to deal with the onslaught of patent applications relating to electronic commerce.¹ While the PTO struggles to get about the business of examining “business method” patents,² popular press allegations³ of systemic

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1. For recent statistics on software patents, *see, e.g.*, Rajiv Chandrasekaran, *Y2K Patent Fortune Pending?: Holding Rights to a Common Fix, Bruce Dickens is Sending the Bill*, WASH. POST., Dec. 17, 1999, at E01 (citing PTO statistics which show that the number of software patent applications has doubled in the past fiscal year and the number of issued software patents has quintupled since 1996).

2. I use the label “business method patents” advisedly. It is probably unfortunate that the label has persisted in use despite the corresponding “business method” doctrine having been laid definitively to rest. *See State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998).

3. For a sampling of recent reports on litigation involving e-commerce patents, *see, e.g.*, David Moschella, *U.S. Patent Law Puts the Web Economy at Risk*, COMPUTERWORLD, Nov. 8, 1999, at 31 (opining that “appropriate government policy is so clear and obvious: Software should be subject only to copyright, not patent, laws”); Gordon Black, *Would-Be Web Giants go a Little Patent-Happy*, SEATTLE TIMES, Nov. 7, 1999, at F1 (reporting on the Amazon.com and Priceline lawsuits) For a less alarmist view, *see* Mike France, *Why We Don't Need Patent Reform—Yet*, BUS. WK., Dec. 20, 1999, at 54 (pointing to the patent system’s ability to correct itself through, *e.g.*, judicious application of the obviousness criterion).

The facts and analysis in some articles of this variety are suspect, but they reveal im-

errors in the issuance of patents in these new areas may fuel the perception that Congress or the courts (or both) must swiftly take corrective action. Indeed, it is at least conceivable that the overheated rhetoric directed against so-called "business method" patents, if left unaddressed, might threaten to grow into a more general and serious indictment of the presumption of validity.⁴

It might seem, then, that Congress' passage of patent law reform legislation⁵ is a matter of great serendipity. The legislation package includes proposals that seek to reform the existing patent reexamination system⁶ by expanding the opportunities for members of the public to challenge the validity of issued patents in an administrative setting.⁷ Politicians and optimists would no doubt declare that just in time to handle the first wave of allegedly dubious "business method" patents, Congress has finally refurbished the administrative mechanism that facilitates public challenges to dubious patents post-grant.⁸ It does indeed seem likely that those who perceive some threat from specific business method patents

portant perceptions that deserve close attention from the intellectual property community.

4. See 35 U.S.C. § 282 (1994).

5. American Inventors Protection Act of 1999, Pub. L. No. 106-113 (codified as amended at 35 U.S.C. §§ 311-318 (1999)).

6. Prior to the reforms, the patent reexamination system was defined by the provisions in 35 U.S.C. §§ 301-307 (1994). For a study of the patent reexamination process, see Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1 (1997) (examining legislative proposals for reexamination reform and proposing an alternative approach drawing from other administrative *inter partes* proceedings existing domestically and abroad).

7. The new provisions are codified at 35 U.S.C. §§ 311-318. The new legislation applies "to any patent that issues from an original application filed in the United States on or after" the date of enactment which is Nov. 29, 1999. Pub. L. No. 106-113, § 4608(a); See also *Legislation: Signing of IP Reforms Amends Work-for-Hire, Leaves 'First Inventor Defense' Unclear*, 59 PAT. TRADEMARK & COPYRIGHT J. 330 (BNA) (Dec. 2, 1999) (reporting the Nov. 29, 1999 signing of Pub. L. No. 106-113).

8. Congress also created a pre-grant publication scheme for U.S. patent applications, Pub. L. No. 106-113, Subtitle E ("Domestic Publication of Patent Applications Published Abroad"), which could have opened the door to pre-grant *inter partes* opposition proceedings. However, § 4502, Pub. L. No. 106-113 amends 35 U.S.C. § 122 (1994) to specify, in a new § 122(c), that the PTO shall "establish appropriate procedures to ensure that no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the applicant." It will be interesting to see whether the PTO promulgates regulations to handle pre-grant oppositions in the highly unlikely event that a patent owner does consent to them.

will consider the possibility of employing the new reexamination procedures to rectify purported PTO blunders.⁹

Unfortunately, the new *inter partes* reexamination system will not provide a particularly efficacious outlet for airing validity disputes over business method patents, or any other patents for that matter. Congress has let slip away a fine opportunity to demonstrate the value of administrative revocation alternatives to patent validity litigation. Instead, it has enacted a mongrel procedure that is incoherent in its vision and unbalanced in its incentives structure.

In this essay, I analyze and comment critically on the new *inter partes* reexamination legislation. Further, I renew my earlier call¹⁰ for more fundamental legislative changes that would create a true *inter partes* administrative revocation scheme.

I. OVERVIEW: *EX PARTE* VS. *INTER PARTES* REEXAMINATION

The overall structure of the new reexamination legislation differs significantly from prior proposals, although a number of the individual provisions that appeared in prior proposals do appear in the new legislation. While most, if not all, of the reexamination reform proposals would have made significant amendments to the reexamination provisions codified at 35 U.S.C. §§ 301-307,¹¹ Congress changed its course late in the reform process, leaving §§ 301-307 unchanged (except to rename it “*ex parte*” reexamination), and engrafting a new Chapter 31, §§ 311-318, under the heading “Optional *Inter Partes* Reexamination Procedures.”¹² Perhaps this bi-

9. For a recent example of the use of the *ex parte* reexamination procedures to review the validity of a software patent, see *Patents: Patent and Trademark Office Orders Reexamination of Y2K Fix Software Patent*, PAT., TRADEMARK & COPYRIGHT DAILY (BNA) (Dec. 23, 1999).

10. See Janis, *supra* note 6, at 93-122 (proposing an administrative revocation system that looks for lessons from U.S. trademark *inter partes* proceedings and EPO post-grant opposition proceedings).

11. See, e.g., Omnibus Patent Act of 1997, S. 507, 105th Cong., (1997) (enacted); 21st Century Patent System Improvement Act, H.R. 400, 105th Cong., 143 CONG. REC. H152 (1997) (enacted) [hereinafter “H.R. 400 (1997)”]. For citations to reexamination reform bills dating back to 1992, see Janis, *supra* note 6, at n. 3.

12. See 35 U.S.C §§ 301-307

furcated structure was intended to give *inter partes* reexamination a sufficiently temporary feel to make it more politically palatable. Perhaps the bifurcation will prove beneficial when Congress evaluates the performance of the reexamination system.¹³ In any event, the bifurcated structure seems a bit jury-rigged and may prove complex and frustrating to users, and to the PTO as it works to promulgate new regulations and relevant sections of the Manual of Patent Examining Procedure ("MPEP").

In view of the bifurcated structure, anyone choosing to initiate a reexamination will need initially to choose whether to request an *ex parte* or new *inter partes* reexamination. While it might seem intuitively obvious that third parties would request *inter partes* reexamination and patent owners would request *ex parte* reexamination, the statute does not mandate this choice. Thus, while it seems unlikely, third parties could still choose to initiate an *ex parte* reexamination,¹⁴ and a patent owner could choose to initiate an "*inter partes*" reexamination.¹⁵ Nevertheless, it seems likely that the *ex parte* provisions will become almost exclusively the domain of patent owner-initiated reexaminations,¹⁶ and the *inter partes* provisions will become almost exclusively the domain of third-party initiated reexaminations.¹⁷

13. See Pub. L. No. 106-113, § 4606. The provision requires the PTO to report to Congress within five years after the enactment of Pub. L. No. 106-113 on "whether the *inter partes* reexamination proceedings established under the amendments made by this subtitle are inequitable to any of the parties in interest. . . ." If inequity is found, the PTO report must recommend legislative changes. *Id.*

14. Third-party requesters faced with this choice would need to balance several competing concerns, principally the enhanced opportunity to participate in *inter partes* reexamination against the overreaching estoppel effects. Regarding the enhanced opportunity for third parties to participate in *inter partes* reexamination on the merits, see *infra* notes 34-40 and accompanying text. For the accompanying estoppel effects, see *infra* notes 44-66 and accompanying text.

15. See 35 U.S.C. § 311(a) (1999) (specifying without limitation that "[a]ny person" may file a request for *inter partes* reexamination). The prospect of a patent owner-initiated "*inter partes*" reexamination seems especially bizarre.

16. Presumably the Commissioner will still choose to initiate *ex parte* reexaminations as the occasion warrants.

17. Thus, while the new chapter headings may imply that *inter partes* reexamination is merely an optional adjunct to the existing *ex parte* regime, actual practice seems unlikely to follow this pattern. Indeed, it seems quite possible that the *ex parte* provisions will be used very rarely.

Of course, any bifurcated regime is subject to potential complications involving concurrent or serial proceedings involving the same patent. For example, it seems likely that any patent owner-initiated *ex parte* reexamination might well be followed by a third-party-initiated *inter partes* reexamination. The PTO will presumably need to develop regulations that consolidate the proceedings as a single *inter partes* proceeding.¹⁸

Another example involves serial reexaminations on the same patent, a practice which led to some criticism under the original reexamination system when third parties could successively file requests for reexamination during or after the initiation of any given reexamination. While the new *inter partes* legislation contains an estoppel provision against successive *inter partes* reexaminations,¹⁹ the estoppel provision does not appear to reach, for example, an *inter partes* reexamination followed by one or more *ex parte* reexaminations.²⁰ It seems unlikely that Congress intended this result, and, if Congress did, it is difficult to discern what policy objective is being advanced.

II. THE FRONT END OF *INTER PARTES* REEXAMINATION

Parties who choose to pursue *inter partes* reexamination under new provisions §§ 311-318 will encounter a number of familiar problems and a host of new ones. In particular, *inter partes* reexamination requesters will find that the familiar problems commence at the initial stage of the process, the request stage. The new *inter partes* reexamination system is, quite unfortunately, burdened with the same front end that so thoroughly compromised the effectiveness of the original procedures.

First, the *inter partes* reexamination provisions retain the re-

18. This is not entirely a new phenomenon, given that it was possible under the existing provisions that a patent owner might initiate *ex parte* reexamination and a third-party subsequently initiate another *ex parte* reexamination. For relevant regulations dealing with this problem, see 37 C.F.R. § 1.565(c) (1998). ("If reexamination is ordered while a prior reexamination proceeding is pending, the reexamination proceedings will be consolidated and result in the issuance of a single certificate under § 1.570.")

19. See *infra* notes 50-52 and accompanying text for a discussion of these provisions.

20. See *infra* note 51 and accompanying text.

striction of reexamination to documentary prior art.²¹ This well-intentioned feature was one of several that were designed collectively to restrict reexamination to a relatively stripped-down, fast, low-cost proceeding, thereby limiting the potential for it to be used as a harassment tool against patentees.²² However, as the *raison d'être* for reexamination gradually shifts focus from error correction to litigation avoidance,²³ limiting reexamination to documen-

21. See 35 U.S.C. § 311(a) (1999) ("Any person at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art cited under the provisions of § 301"); cf. 35 U.S.C. §302 (1994), the analogous provision in the original reexamination scheme, specifying that reexamination requests may be based only on "prior art cited under section 301." Section 301, in turn, provides that "[a]ny person at any time may cite to the 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." (emphasis supplied).

These provisions technically only extend to the reexamination request. If the request generates an order for reexamination on the merits, reexamination is to be "conducted according to the procedures established for initial examination," whether the reexamination is *ex parte* or *inter partes*. 35 U.S.C. § 305 (1994) (conduct of *ex parte* reexamination proceedings); cf. 35 U.S.C. § 314(a) (1999) (conduct of *inter partes* reexamination proceedings). In the *ex parte* context, the courts and the PTO have interpreted this language as restricting reexamination on the merits to documentary prior art, with modest exceptions. See Janis, *supra* note 6, at 53 (noting that in addition to issues of validity over documentary prior art, the PTO will also consider double patenting issues, and, for new or amended claims, definiteness issues). Nothing in the text or legislative history of the new legislation suggests that *inter partes* reexamination on the merits will have a substantive scope different from *ex parte* reexamination.

22. See Janis, *supra* note 6, at 45-6, 55-6 (discussing the anti-harassment rationale).

23. By "error correction" in this context, I mean to refer to a "curative" model for reexamination, one that emphasizes the goal of allowing the PTO to correct its own errors in a proceeding that seeks an initial showing of error but otherwise roughly mimics a fresh *ex parte* examination. See Janis, *supra* note 6, at 19-26 (explaining the "curative" model of reexamination and citing relevant authority). A clear statement of the curative rationale for reexamination can be found, for example, in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985), which states "Congress had an important public purpose in mind when it enacted the reexamination statute. The statute was part of a larger effort to revive United States industry's competitive vitality by restoring confidence in the validity of patents issued by the PTO."

By a "litigation avoidance" model, I mean to refer to a model for reexamination that emphasizes a much broader goal—channeling validity disputes away from the courts altogether. A patent revocation system based on this model would presumably mimic and improve on validity litigation in court; there would be no need to make such a system look like original examination. The litigation avoidance rationale is most often cited in current Congressional pronouncements about reexamination. See, e.g., Intellectual Property and Communications Omnibus Reform Act of 1999, 107th Cong., 145 CONG. REC. S14708 (1999) (section-by-section analysis of the Senate-passed bill that gave rise to

tary prior art has become increasingly incongruous conceptually. There can be little doubt that by excluding invalidity theories such as compliance with the on sale and public use bars,²⁴ Congress has practically guaranteed that even *inter partes* reexamination will never serve as a fully effective alternative to validity litigation, notwithstanding Congressional pronouncements to the contrary. When Congress revisits the reexamination system, its first priority should be to broaden the substantive scope of reexamination to allow all prior art theories to be raised in reexamination.²⁵

Second, the threshold standard of the "substantial new question of patentability" has likewise been carried over unchanged from the original reexamination provisions.²⁶ This standard is conceptually inconsistent with the new model for reexamination as a litigation alternative.²⁷ Moreover, formulating rules for determining when a question of patentability is both "substantial"²⁸ and "new"

Pub. L. No. 106-113):

Subtitle F is intended to reduce expensive patent litigation in U.S. district courts by giving third-party requesters, in addition to the existing *ex parte* reexamination in Chapter 30 of title 35, the option of *inter partes* reexamination proceedings in the USPTO. Numerous witnesses have suggested that the volume of lawsuits in district courts will be reduced if third parties can be encouraged to use reexamination by giving them an opportunity to argue their case for patent invalidity in the USPTO.

See also Janis, *supra* note 6, at 36-42 (analyzing the implications of the litigation avoidance model for reexamination).

24. 35 U.S.C. § 102(b) (1994).

25. Congress should also examine whether to open reexamination to other issues, such as adequacy of disclosure issues under 35 U.S.C. § 112 (1994), first paragraph. An earlier version of the proposed legislation would have opened reexamination to all 35 U.S.C. § 112, first paragraph issues except best mode, *see, e.g.*, The 21st Century Patent System Improvement Act, H.R.400, 105th Cong., 143 Cong. Rec. E76 (1997), proposed §§ 503(a),(b), [hereinafter "H.R. 400 (1997)"], but this proposal does not appear in the *inter partes* reexamination provisions passed by Congress.

26. *Cf.* 35 U.S.C. § 303(a) (1994) (original reexamination provisions) with 35 U.S.C. § 312(a) (1999) (new *inter partes* reexamination provisions carrying forward the "substantial new question of patentability" standard).

27. The standard was conceived as an anti-harassment measure, but also clearly ties into the concept of reexamination as a curative mechanism for PTO errors. Under that vision, it might make sense conceptually to insist on a threshold showing of a probable new and significant error to obtain jurisdiction. Under a vision of reexamination as an alternative to litigation, the standard is not conceptually necessary.

28. The PTO has insisted that a "substantial" question of patentability in the reexamination context is to be distinguished from a *prima facie* case of patentability. Instead,

has proven so difficult as to cast into doubt any benefit that might accrue from the threshold standard. The latter question, newness, has already amply demonstrated a tendency for giving rise to counterproductive ancillary litigation in *Recreative Technologies* and its progeny.²⁹ The “substantial new question” requirement should have been eliminated from *inter partes* reexamination, and one can only hope that Congress will rethink the matter during a future round of reexamination reform.

The front end of *inter partes* reexamination has been reformed in only very modest ways.³⁰ One of the reforms may be counter-

the PTO has relied upon the “important to a reasonable examiner” standard formerly used in connection with the Rule 56 duty of disclosure. See Janis, *supra* note 6, at 47-48 n. 203-06 (citing relevant authority and noting that just as the “reasonable examiner” standard proved notoriously overinclusive in the Rule 56 context, it has proved overinclusive in the reexamination context).

29. A series of unfortunate decisions on what it means for a question of patentability to be “new” in the sense of the reexamination provisions begins with *In re Recreative Technologies Corp.*, 83 F.3d 1394, 1395 (Fed. Cir. 1996). There, the PTO granted reexamination on the basis of eight prior art references that were not of record in the original prosecution, then rejected the claims based only on a prior art reference that had been of record during the reexamination. The Federal Circuit held that the reexamination should have been dismissed at the point where the only prior art references formed the basis for the rejection were not “new.” *Id.* at 1398. The Federal Circuit extended *Recreative Technologies* in *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997). The PTO based an obviousness rejection in a reexamination on a combination of references. Both of the references had been of record in the original prosecution, but not combined with one another to support an obviousness rejection. *Id.* at 787. The Federal Circuit deemed the rejection improper in the reexamination because the references were not “new.” *Id.* at 790-91.

The PTO has staunchly resisted the approach laid out in these cases, reading them extremely narrowly. See Guidelines for Reexamination of Cases in view of *In re Portola Packaging, Inc.*, 110 F.3d 786, 42 USPQ2d 1295 (Fed. Cir. 1997), 64 FED. REG. 15346 (Mar. 31, 1999) (reading *Recreative Technologies* and *Portola* as applying only where rejections in a reexamination are based on references that were actually relied upon to reject claims in the original prosecution, or were cited and their relevance to patentability of claims discussed in the original prosecution), *superseding* Interim Guidelines for Reexamination of Cases in View of *In re Portola Packaging, Inc.*, 110 F.3d 786, 42 USPQ2d 1295 (Fed. Cir. 1997), 63 Fed. Reg. 32646 (June 15, 1998). The PTO’s general approach appears more consistent with another Federal Circuit panel opinion, *In re Hiniker Co.*, 150 F.3d 1362 (Fed. Cir. 1998) (holding that prior art rejections in a reexamination were properly “new” when they were never before the examiner during original prosecution and there was evidence that such reference immaterial or was cumulative with any old art).

30. In the *ex parte* provisions, if the PTO decides to order reexamination based upon a third-party’s request, the patent owner has the option of filing a patent owner’s

productive: third-party requesters must now identify themselves in their request documents.³¹ While this modification may seem unobjectionable in the abstract, it does add to the already significant disincentives to third-party requesters.³²

III. *INTER PARTES* REEXAMINATION ON THE MERITS

The limitations on the third-party requester's participation in reexamination during reexamination on the merits³³ formed the basis for most calls to reform of the reexamination system.³⁴ The *inter partes* reexamination proceeding does, of course, include a new provision that allows greater third-party participation, specifying that "[e]ach time that the patent owner files a response to an action on the merits from the [PTO], the third-party requester shall have

statement pointing out deficiencies in the request and substantial new question of patentability determination, and offering claim amendments or new claims. 35 U.S.C. § 304 (1994). The requester is then entitled to reply. *Id.* Only thereafter does the PTO actually initiate reexamination on the merits and issue an official action.

In practice, many patent owners dispensed with the opportunity to file a patent owner's statement, preferring to divest the requester of the opportunity to reply, and preferring to await the official action before taking any position on patentability. These considerations presumably induced Congress to dispense with the patent owner's statement and requester's reply in the *inter partes* provisions. See 35 U.S.C. § 313 (1999) (providing that the reexamination order "may be accompanied by the initial action of the Patent and Trademark Office on the merits of the inter partes reexamination...").

31. 35 U.S.C.A. § 311(b)(1) (1999).

32. This change may be thought to serve an anti-harassment function by forcing the third-party requester into the open. Ironically, though, the requirement may fall hardest on small players, the very group that deployed the harassment rationale most volubly during the legislative debate. One can imagine, for example, a small company that fears an infringement suit from a large patent owner, and would like to test the patent in a relatively inexpensive reexamination forum without attracting attention to the possible infringement. The small company apparently still has the recourse of *ex parte* reexamination (because 35 U.S.C. § 302 (1994) does not require identification of the requester's identity, and has not been amended), but § 331(b)(1) expressly precludes anonymous requests in *inter partes* reexaminations.

33. See Janis, *supra* note 6, at 72 n. 313 (collecting authorities from the regulations, MPEP, and Federal Circuit case law for the proposition that active participation by the third-party requester in an *ex parte* reexamination proceeding ends with the filing of a reply to the patent owner's statement).

34. *Id.* at 70, n. 305 (citing the results of an early AIPLA survey in which practitioners expressed frustration with limits on third-party participation in reexaminations); *Id.* at 6, n. 12 (collecting scholarly commentary critical of the provisions restricting third-party participation).

one opportunity to file written comments addressing the issues raised by the action of the Office or the patent owner's response thereto."³⁵ However, unless the PTO formulates carefully crafted regulations for dealing with *inter partes* proceedings, it seems doubtful that a productive adversarial proceeding will result.

There are several reasons for voicing such skepticism. First, past practice has been to have examiners carry out reexaminations. It is both unfair and unrealistic to expect examiners who are untrained in adversarial proceedings and lacking the authority of the bench to manage a full-blown adversarial proceeding.

Second, the PTO has not apparently thought carefully about the conduct of examiner interviews in an *inter partes* reexamination proceeding. Although it is not clear from the face of the new statute whether a third-party requester has a right to participate in an examiner interview, PTO regulations promulgated in anticipation of passage of a previous version of reexamination reform legislation would have allowed a third-party requester to "participate" in interviews.³⁶ Lawyers being lawyers, it seems improbable to expect that third-party attendees to an interview will simply attend in silence. Instead, an examiner interview could take on the magnitude of a full administrative hearing, yet neither the statute nor regulations promulgated to date have offered any procedural guidelines for handling such quasi-hearings. One can easily imagine examiner interviews in a contested reexamination proceeding devolving into a fiasco.

Third, it is not clear what limitations inhere in the right to "comment" in response to issues raised in the patent owner's response. Presumably the third-party requester will be entitled to

35. 35 U.S.C.A. § 314(b)(3) (1999). The comments must be filed within 30 days after the service of the patent owner's response. *Id.*

36. The PTO's commentary specified that third-party requesters would be permitted to "attend" interviews, while the actual text of the proposed regulation conferred on third-party requesters "a right to participate in an interview initiated by the patent owner or the examiner." See Rules of Practice in Patent Cases; Reexamination Proceedings, 60 FED. REG. 41,035 1995 (to be codified at 37 C.F.R. § 1.955(a)) (proposed Aug. 1, 1995), text reprinted at <<http://www.uspto.gov/web/offices/com/sol/notices/rexam809.html>>, visited March 6, 2000 [hereinafter "1995 Notice of Proposed Rulemaking"] (further specifying that "a senior level Office official will be present when the interview is attended by a third-party requester").

submit expert affidavits (although there will undoubtedly be disputes over whether such evidence is really in the nature of a "comment" on the "issues raised" as contrasted with evidence raising new issues). Will the requester be entitled to submit newly-discovered prior art? Since this seems such a likely possibility, the PTO should formulate regulations that speak to the matter.

Finally, the *inter partes* reexamination inexplicably falls short in one crucial aspect of enhancing third-party participation: the third-party's opportunity to obtain judicial review of unfavorable reexamination determinations. Prior versions of the reform legislation envisioned essentially full opportunity for third parties to seek court review and to participate in patent owner appeals.³⁷ The new *inter partes* provisions actually passed by Congress fail to give the third-party requester the opportunity to appeal beyond the Board of Patent Appeals and Interferences,³⁸ and likewise fail to

37. See, e.g., H.R. 400 (1997), *supra* note 11, at proposed § 503(e) (proposing amendments to 35 U.S.C. § 306 (1994)), providing that a third-party requester could appeal "with respect to any final decision in the reexamination proceedings that is favorable to the patentability of any original or proposed amended or new claim of the patent. . ." For a discussion of these proposed provisions, see Janis, *supra* note 6, at 122, n. 326-27.

38. 35 U.S.C. § 134(c) (1994) has been amended to recite that a third-party requester in a reexamination can appeal to the Board, but "[t]he third-party requester may not appeal the decision of the Board of Patent Appeals and Interferences." *Id.* See also Janis, *supra* note 6, at 73 n. 326 (analyzing the procedural complexities of third-party requester appeals to the Board).

As to appeal opportunities for the patent owner, the new *inter partes* legislation gives the patent owner the right to appeal "any decision adverse to the patentability of any original or proposed new claim," 35 U.S.C. § 315(a)(1), and to be a party to a third-party requester's appeal. 35 U.S.C. § 315(a)(2). The patent owner's § 315(a)(1) appeal right in *inter partes* reexamination is roughly equivalent to the right of appeal that already was provided in *ex parte* reexaminations under 35 U.S.C. § 306, although patent owners appealing under § 315(a)(1) do not have the option of a § 145 suit against the commissioner in district court. See 35 U.S.C. § 315(a)(1) (specifying that patent owners may appeal under § 134 to the Board and under only §§ 141-44 to the courts); Pub. L. No. 106-113 § 4605(c) (amending § 141 to specify that a patent owner who is dissatisfied with a Board decision may appeal only to the Federal Circuit). Given the rarity of § 145 actions, this change seems unlikely to have significant practical impact.

No serious proposal to limit the patent owner's ability to seek judicial review of reexamination determinations surfaced in the reform process, and such a proposal would presumably have violated the United States' international obligations under the TRIPs component of the GATT Agreement in any event. General Agreement on Tariffs and Trade, Apr. 15, 1994, D.O.S. 95-33, 33 I.L.M. 1125, 1197 (Annex 1C: Trade Related Aspects of Intellectual Property Rights), Art. 32 ("An opportunity for judicial review of any

give the third-party requester the opportunity to participate as a party to a patent owner's appeal beyond the Board of Patent Appeals and Interferences.³⁹

Perhaps the rationale is that third-party requesters could use court appeals as a delaying tactic, but whatever the rationale, it seems quite likely that potential third-party requesters will find this limitation intolerable. Combined with the severe restrictions on the substantive scope of reexamination⁴⁰ and the draconian estoppel provisions,⁴¹ the price to a third-party initiating an *inter partes* reexamination will be far too dear in most cases. The restriction on appeal rights is a major lapse in judgment and could profoundly undercut the efficacy of the reexamination system.

IV. THE BACK END OF *INTER PARTES* REEXAMINATION: REEXAMINATION AND CONCURRENT OR SUBSEQUENT LITIGATION

Relatively early in the reexamination reform process, there seemed to develop a strong consensus for employing estoppel concepts as the *quid pro quo* for a third-party's enhanced opportunities to participate in reexamination. Generally, the estoppel was designed to prevent patent challengers from (1) re-litigating a validity issue in court following an unsuccessful effort to invalidate through reexamination, or (2) the reverse, requesting reexamination following an unsuccessful effort to invalidate in court. Estoppel rules along these basic lines appear in the new legislation.⁴² In addition, however, Congress has included an over broad estoppel

decision to revoke or forfeit a patent shall be available.”).

It appears to be established that the patent owner may not appeal the PTO's initial determination of the existence of a substantial new question of patentability. *See In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998) (concluding that the Federal Circuit's jurisdiction to review reexamination determinations extends only to Board determinations on reexamination on the merits; any errors in the initial determination on the substantial new question of patentability are “washed clean” by the subsequent Board action on patentability).

39. 35 U.S.C.A. § 315(b)(2) (1999).

40. *See supra* notes 21-29 and accompanying text.

41. *See infra* notes 43-65 and accompanying text.

42. 35 U.S.C.A. § 315(c) (1999).

provision of dubious enforceability and even more questionable wisdom.

The estoppel provisions make clear that Congress has exacted a very high price for participation in an *inter partes* reexamination. Even without the other disincentives to reexamination (limitations on substantive scope, appeal restrictions), the estoppel provisions alone may convince many patent owners to avoid *inter partes* reexamination.

A first major estoppel provision of note precludes a third-party requester in an *inter partes* reexamination from later asserting in a civil patent action “the invalidity of any claim finally determined to be valid and patentable” in the reexamination.⁴³ Estoppel would be triggered whenever a third-party’s request results in an order for *inter partes* reexamination.⁴⁴ This is a substantial change from previous proposals, under which estoppel would have arisen only if the third-party requester had filed a notice of appeal to the court or participated in a patent owner’s appeal.⁴⁵ In practical effect, it will of course force potential third-party requesters to decide in advance of filing a request whether they are willing to live irrevocably with the patentability determinations that might result from a reexamination. To be sure, this prevents third parties from engaging in *inter partes* reexamination up to the point of appeal as a sort of advance trial run on validity issues. But is there real disadvantage in allowing a “trial run”? Indeed, if the point of reexamination is to divert validity disputes to administrative proceedings, wouldn’t that point be more admirably served by a mechanism that encouraged third parties to test out validity theories, on the proposition that this might at least narrow the issues left for later trial, or encourage settlement, or at least instruct the trial judge?

This estoppel provision, like its previous incarnations of the estoppel provision, also has a broad and potentially problematic sweep, precluding later invalidity assertions to the extent that they are based “on any ground which the third-party requester raised *or*

43. *Id.*

44. *Id.*

45. *See, e.g.*, H.R. 400 (1997), *supra* note 11, at § 503(e) (proposing amendments to 35 U.S.C. § 306 (1994)). The new provisions do not give third parties the right of appeal to the court, and thus can not be used that as the estoppel-triggering event.

could have raised during the *inter partes* proceedings.”⁴⁶ The italicized language raises obvious concerns, especially given the extraordinary scope of prior art (even when the prior art is limited to documentary prior art) upon which a patent challenger might draw in formulating an invalidity argument.

No doubt responding to these concerns, Congress has injected compromise language excluding from the scope of the estoppel “the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings.”⁴⁷ This language recognizes the problem without going very far to solve it. Parties will now have to litigate over whether a given prior art reference was “unavailable” at the time of the reexamination. It is not clear what this means for documentary prior art, because inherent in the definition of a prior art “publication” is the notion of accessibility of the reference to the public.⁴⁸ Are not all prior art publications by definition “available”? And if not measured by accessibility, how will availability be determined? For example, courts might presumably construe the language to refer to availability after diligent search, but this will only generate further litigation over the standards of diligence. Moreover, litigating over the fact of whether a diligent search was performed might require intrusive discovery in the form of attorney depositions and document requests directed towards attorneys’ files. It is certainly ironic that Congress’ zeal to prohibit excessive litigation, manifested in its complex estoppel provisions, may actually result in a quagmire of ancillary litigation over the scope of those very estoppel provisions.

The *inter partes* legislation also contains a mirror image of the § 315(c) estoppel provision. Section 317(b) provides that after a final judgment of no invalidity is entered in a patent lawsuit, the

46. *Id.* (emphasis supplied). For predictions that this language will give rise to abundant litigation, see Janis, *supra* note 6, at 86.

47. 35 U.S.C.A. § 315(c) (1999).

48. See, e.g., *In re Hall*, 781 F.2d 897 (Fed. Cir. 1986) (articulating the accessibility standard as the “touchstone” for determining whether a reference qualifies as a “printed publication”).

patent challenger⁴⁹ is estopped from requesting *inter partes* reexamination⁵⁰ of the patent claims at issue in the lawsuit on any grounds that the challenger raised or could have raised in the lawsuit.⁵¹

A second major estoppel provision raises even thornier problems. Section 4607 of the bill provides that "[A]ny party" who requests *inter partes* reexamination⁵² will be estopped from later challenging, in any civil action, "any fact determined during the process of such reexamination. . . ."⁵³ This veritable blunderbuss of an estoppel provision is both bad policy and bad law, and deserves swiftly to be escorted out of the statute.⁵⁴

It is worth speculating on the types of factual determinations that might be targeted by this provision, given that the PTO would theoretically only be analyzing validity over the documentary prior art, and the statute already contains an estoppel provision against validity challenges. In the course of analyzing validity over the documentary prior art, the PTO may well make factual determinations that could be argued later to bear on a number of other issues: validity over the non-documentary prior art; materiality (for inequitable conduct); any of the section 112, first paragraph challenges;

49. More particularly, the patent challenger and its "privies." 35 U.S.C.A. § 317(b) (1999). See *infra* note 60 concerning the extension of estoppel effects to a party's "privies."

50. Surprisingly, this would appear to leave the way open for a subsequent request for *ex parte* reexamination.

51. Accordingly, this provision also contains the troublesome "raised or could have raised" language. It appears that Congress may also have intended to incorporate the exception for newly discovered prior art unavailable to the patent challenger as of the time of the lawsuit. If so, 35 USC § 317(b) contains a drafting error: the exception as drafted refers only to prior art unavailable as of the time of a prior reexamination proceeding (a separate topic also covered in 35 USC § 317(b)).

52. Presumably, patent owners will rarely, if ever, request *inter partes* reexamination, so the estoppel provision is primarily directed towards third-party requesters notwithstanding the phrase "any party."

53. Pub. L. No. 106-113, § 4607. The provision includes an exception for any factual determination "later proved to be erroneous based on information unavailable at the time of the *inter partes* reexamination decision." Whether this language is intended to invoke by analogy the "clearly erroneous" standard of review is open to question.

54. Congress apparently had misgivings of its own, reflected on the face of the provision itself. *Id.* ("If this section is held to be unenforceable, the enforceability of the remainder of this subtitle or of this title shall not be denied as a result.")

the scope of equivalents in a means-plus-function limitation; or (less likely, perhaps, but conceivable) infringement issues.

As a policy matter, it is blatantly a case of piling on, skewing *inter partes* reexamination even further against third parties.⁵⁵ From a broader perspective, it makes little sense to limit the scope of reexamination to validity issues concerning documentary prior art on the one hand, and then to vest the PTO's factual determinations with such vast preclusive effect on the other. Indeed, to the extent that the provision does purport to give preclusive effect to fact determinations relevant to infringement, it is difficult to see how the provision squares with the Seventh Amendment jury trial guarantee.⁵⁶

Yet another estoppel provision concerns the practice of filing serial reexamination proceedings. Section 317(b)⁵⁷ provides that if a third-party requester loses an *inter partes* reexamination (meaning that "a final decision in an *inter partes* reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent"),⁵⁸ the requester⁵⁹ is estopped from thereafter requesting an

55. Those who protested most loudly against reexamination reform on the grounds that it would allow third parties to harass patentees would presumably assert that an anti-harassment rationale undergirds the estoppel provision. One cannot but agree; making the reexamination system so manifestly unattractive that no sensible third-party would ever initiate a proceeding is certainly one way to deal with harassment concerns. It is hardly an attractive one, however.

56. See *Winans v. Denmead*, 56 US (15 How.) 330, 338 (1853) (characterizing the determination of whether infringement occurred as "a question of fact, to be submitted to a jury"), cited in *Markman v. Westview Instruments, Inc.*, 517 US 370, 382 (1996).

More fundamentally, the *inter partes* reexamination scheme is likely to draw a due process challenge, as well as a Seventh Amendment challenge on the grounds that it deprives a patent owner of a jury trial on validity issues. Whether a patent owner has a right to a jury trial on validity has not been definitively resolved. For a brief analysis of the Seventh Amendment implications of *inter partes* reexamination, and a discussion of the fate of Seventh Amendment challenges to *ex parte* reexamination, see *supra* text accompanying note 6, at 87-92.

57. 35 U.S.C.A. §317(b) (1999).

58. *Id.*

59. Actually, the requester "or his privies." *Id.* The PTO will have its hands full determining who qualifies as a "privy" for purposes of this provision, a determination that would seem to involve evidence that the PTO is not well equipped to receive, or, for that matter, to comprehend. Nonetheless, the same language appeared in prior legislative proposals, see H.R. 400, 105th Cong. (1997), *supra* note 11, at proposed §503(f) (pro-

other *inter partes* reexamination⁶⁰ on the previously reexamined claims on issues that were raised or could have been raised⁶¹ in the previous reexamination.

In three other respects concerning the impact of reexamination on concurrent infringement litigation, the *inter partes* legislation appears to leave unchanged the rules and practices that have developed for *ex parte* reexamination. First, the new legislation surely leaves intact the rule that statements appearing in the prosecution history of an *inter partes* reexamination can be used in subsequent litigation for claim construction and potentially as a source of prosecution history estoppel.⁶²

Second, the *inter partes* reexamination provisions retain the rule that substantive claim amendments during reexamination operate to cut off any infringement damages accruing prior to the issuance of the reexamination certificate.⁶³ This, at least, preserves one of the few genuine incentives for a third-party to have validity adjudicated in reexamination rather than in litigation.

Third, the new legislation includes what appears to be an entirely unnecessary provision authorizing District Courts to stay litigation pending the outcome of an *inter partes* reexamination.⁶⁴ It

posed new section 308), and the PTO promulgated tentative regulations designed to address the question. See Rules of Practice in Patent Cases; Reexamination Proceedings, *supra* note 37 (to be codified at 37 C.F.R. § 1.997).

60. That is, requesting another *inter partes* reexamination or continuing an ongoing *inter partes* reexamination. *Id.*

61. See *supra* text accompanying note 52 for comments on the pitfalls of the "raised or could have been raised" language.

62. See, e.g., *J.T. Eaton & Co. v. Atl. Paste & Glue Co.*, 106 F.3d 1563, 1570-71 (Fed. Cir. 1997) (using reexamination prosecution history in the course of claim construction).

63. In the *ex parte* reexamination provisions, see 35 U.S.C. § 307(b) (1994). In the *inter partes* provisions, see 35 U.S.C.A. § 316(b) (1999). For recent cases interpreting § 307(b), see, e.g., *Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1346 (Fed. Cir. 1998) (concluding that the patentee had made substantive changes to claim scope in a reexamination, thus triggering the damages limitation in § 307(b)); See also *Bloom Eng'g Co. v. North Am. Mfg. Co.*, 129 F.3d 1247, 1249-51 (Fed. Cir. 1997) (discussing relevant standards and concluding that patentee's claim amendments made a substantive change).

64. 35 U.S.C. § 318 (1999). The provision declares that a patent owner "may" obtain a stay, "unless the court before which such litigation is pending determines that a stay would not serve the interests of justice."

was already clear from existing case law,⁶⁵ and from notions of the court's inherent authority to control its own docket, that courts have discretion to grant or deny stays pending reexamination. There is no indication that the express statutory authorization of stays in the context of *inter partes* reexamination is intended to diminish courts' authority to grant stays pending *ex parte* reexamination, and it would be unfortunate if courts were to leap to the conclusion that Congressional silence was deliberately directed towards discouraging stays pending *ex parte* reexamination.

CONCLUSION

To put it pointedly, *inter partes* reexamination is a dog. Its substantive scope is too narrow, its procedural assurances of meaningful third-party participation are questionable, its appeal provisions are too limited, and its estoppel provisions are excessive. It is the conclusion of a well-intentioned, but conceptually incongruous legislative exercise: Congress began with a statute that was designed to enable the PTO to correct a limited range of its errors, and attempted to transform it into an administrative revocation scheme that could serve as an alternative to litigation, without making fundamental alterations. What resulted is a proceeding that is likely to confuse and annoy its participants, few though they may be.

This is not to suggest that the reexamination "reform" process has been entirely devoid of positive outcomes. That the legislation actually passed may in itself constitute a remarkable feat irrespective of its content. The move towards *inter partes* proceedings, tentative and muddled though it may be, is at least a symbolic step in the right direction. Additionally, the bifurcated structure of the new legislative scheme may make more feasible an evaluation of the *inter partes* procedures independent from the *ex parte* procedures.⁶⁶

Congress has signaled its commitment to revisit reexamination

65. See, *supra* text accompanying note 6, at 78-81.

66. See *supra* note 14; see also American Inventors Protection Act of 1999, Pub. L. No. 106-113 (codified as amended at U.S.C. §§ 311-318 (1999)).

in five years,⁶⁷ by which time it should be clear that the new legislation is not channeling any significant number of disputes away from the courts. Some will no doubt conclude that the concept of *inter partes* administrative patent revocation is a failure and should be abandoned altogether. A correct conclusion would be that Congress has so hamstrung the system that it was preordained to fail, where a more carefully designed administrative revocation scheme might well succeed.

At the very least, Congress has introduced the conceptual basis for separating *ex parte* reexamination from *inter partes* proceedings. Perhaps the next legislative incarnation of reexamination will be more boldly constructed. Indeed, perhaps it will not be reexamination at all.

67. See *supra* note 14.

Notes & Observations

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