

A True Litigation Alternative: Has The Patent And Trademark Office Delivered?

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While some may view inter partes reexamination as a mechanism to fix mistakes made by the U.S. Patent and Trademark Office during examination, many see it primarily as a way to perform a different intended function; namely, providing an alternative to litigation over the validity of patents in District Court.

Let's take a look at how well inter partes reexamination proceedings are performing as an alternative to District Court litigation, as well as how they might be streamlined to better achieve that goal.

THE NEW POPULARITY OF INTER PARTES REEXAMINATION PROCEEDINGS

Interest in and use of inter partes reexamination was once minimal. The prevailing wisdom was that the estoppel provisions of 35 U.S.C. § 315(c) made initiating an inter partes reexamination proceeding too risky for the third party requester. More recently, though, spurred in part by the willingness of some District Court judges to grant stays and by the statistical evidence of likelihood of success, litigants have been much more willing to utilize inter partes reexamination proceedings as a tool. Indeed, requests for inter partes reexamination have risen from less than ten per year during fiscal years 2000 – 2002 to 168 in fiscal year 2008. As of June 30, 2009, the year-to-date number had risen to 195.

Even with this relatively sudden rise in popularity, inter partes reexamination proceedings have come under great criticism in a number of respects.

INTER PARTES REEXAMINATION PROCEEDINGS TAKE TOO LONG

Current statistics for *concluded* inter partes reexamination proceedings report the average pendency of an inter partes reexamination proceeding at about 36 months. Yet these statistics likely misrepresent the true average pendency of *pending* cases (a statistic not currently reported by the Office), because they (1) do include cases in which the patent owner simply didn't respond to the order initiating the proceeding, but (2) don't include long-pending cases that remain unresolved. Even an optimistic pendency time of 36 months would seem very unattractive to a District Court judge who must rule on a defendant/requester's motion for a stay pending the conclusion of the inter partes reexamination proceeding. Indeed, in some districts, the judge might readily conclude that an infringement case could be taken through trial and decision in about that length of time.

The sources of delay can be readily seen when one takes an in-depth look at the process laid out in the flow diagrams of M.P.E.P. § 2606.01. One knowledgeable observer has taken the view – based on a detailed study of those diagrams – that the minimum time for concluding an inter partes reexamination proceeding, including an appeal to the Federal Circuit, is about 44 months. Of that time, about 32 months is attributable to proceedings in the Office prior to the appeal, notwithstanding the directive of 35 U.S.C. § 314 to conduct inter partes reexamination “with special dispatch.”

Interestingly, as of this writing, the very first appeal from a decision of the Board of Patent Appeals and Interferences in an inter partes reexamination proceeding has now reached the Federal Circuit.²

But delay is not the only concern.

(VERY) LOW THRESHOLD FOR “SUBSTANTIAL NEW QUESTION OF PATENTABILITY”

The statistics available as of June 30, 2009, show that of all requests for inter

partes reexamination filed since the proceeding became available, 95 percent have been granted.³ Those data point quite clearly to the fact that the current threshold for showing a “substantial new question of patentability”⁴ is very low, leading some to comment that reexamination proceedings in general are a too-convenient vehicle for harassment of patent owners.

FAILURE TO QUICKLY FOCUS THE ISSUES

Under the current scheme, inter partes reexamination proceedings are (like ex parte reexamination proceedings) handled first at the Central Reexamination Unit (“CRU”), and the procedures in place are much like those of the examination of an original patent application. An Office Action is issued, the patent owner responds, and the requester has an opportunity to comment as provided by 35 U.S.C. § 314(b). Many Office Actions are non-final actions, often raising new issues, and therefore setting off a new round of filings by the patent owner and the requester. There is essentially no limit to the number of times that the process can be repeated, since Examiners may and do raise new issues based on newly-cited art, just as they do in pre-grant prosecution. When the participants enter this “do loop,” the focus on the chief functions of inter partes reexamination – namely, fixing Patent and Trademark Office mistakes and serving as a speedy and (relatively) inexpensive litigation alternative – is quickly lost.

IS A SOLUTION AVAILABLE?

Commentators and others have begun asking whether or not the cure for these ills might lie in transferring the entire inter partes reexamination proceeding to the Board of Patent Appeals and Interferences. The theory is that the Board – in particular, the Trial Division – is accustomed to handling inter partes matters, to forcing the parties to narrow the issues early in a proceeding, and to reaching a decision on those issues in a relatively short period of time. One view is that inter partes issues are best decided by those who are experienced and skilled at deciding (i.e., *judging*) rather than by those who are experienced in *examining* patent applications.

So are Administrative Patent Judges (APJs) better suited to deciding issues in inter partes reexamination proceedings than are Examiners? From a time perspective, adopting some form of the Board's contested case rules (37 C.F.R. §§ 41.100

– 41.206) and Standing Order⁵ could well result in more timely decisions. Indeed, the average pendency of a patent interference proceeding has shrunk to less than 12 months.

Taking this concept one step further, the issue becomes whether or not the inter partes reexamination proceeding can be modified to conform to a “trial model” (as in interferences) rather than the existing examination model. If so, would those modifications be a matter of rules changes or would they require statutory changes?

WHAT DOES THE BOARD’S EXPERIENCE TELL US?

Experience with patent interferences suggests that a trial model could address two principal shortcomings of existing practice in inter partes reexamination proceedings: (1) glacial speed, and (2) inefficiency in focusing the issues. The possibility – and desirability – of moving to a trial model has been recognized during the debate on the patent reform bills, S.515 and H.R.1260:

First, while we endorse having inter partes reexaminations conducted by an administrative patent judge as proposed by this Committee last year and continued in H.R. 1260, we believe that the delays currently experienced in inter partes reexamination proceedings could be significantly ameliorated if these proceedings followed the same procedures as those set forth for post-grant reviews in proposed new Section 326.²⁶

Indeed, the procedures proposed for post-grant review are, in this writer’s view, essentially the same as those provided by the current rules and Standing Order governing present-day interferences at the Trial Division of the Board.⁷

WHAT WOULD A REDEFINED INTER PARTES REEXAMINATION PROCEEDING LOOK LIKE?

Under current law, an inter partes reexamination proceeding conducted entirely at the Board would consist of two phases: a first phase (a “trial”) conducted by a single Administrative Patent Judge, acting in the capacity of a Primary Examiner; and, a second phase (an appeal) heard by a panel of three Administrative Patent Judges.

Why two stages? 35 U.S.C. § 134(b) provides that “[a] patent owner in any reexamination proceeding may appeal from the final rejection of any claim by the primary

examiner to the Board of Patent Appeals and Interferences.” Thus, the statute does not appear to permit a single-stage proceeding conducted (as are interferences) by a panel of three APJs.

Further, 35 U.S.C. § 6(b) empowers the Board of Patent Appeals and Interferences to “review adverse decisions of examiners upon applications for patents.” So there does not appear to be statutory authorization for the Board to conduct the proceeding from the time of the issuance of the Director’s order. That is not to say that an Administrative Patent Judge, as a member of the Board, is not equipped to do the job – only that the Board, whose authority is conferred by statute, doesn’t have “original jurisdiction” (if that phrase can be applied to this sort of administrative proceeding).

Step 1 – The Request (And A Motion)

In the trial phase, the first step (as in present practice) would be the filing of the request, though the required form of the request would be one or more proposed rejections. Contained in the request would be a showing supporting the proposed rejection(s), including any evidence on which the requester would rely. Optionally, the request could be accompanied by a motion, also supported by a showing, to deprive the patent owner of a claimed benefit date.

The showing presented by the request and for the motion could consist of prior art patents or publications, together with expert declarations explaining those references, sufficient to support a determination that the claims are unpatentable.

Step 2 – Order

The request and any motion would be referred to a single Administrative Patent Judge (acting as the Director’s delegate) for a determination as to whether a substantial new question of patentability exists. Statistics such as those mentioned above would counsel a more rigorous application of the statutory standard – perhaps requiring something less than a prima facie showing of unpatentability, but more than a mere showing that the issue raised is a “new” one.

The order itself would take the form of a first rejection, and any rejections proposed in the request that are not adopted in the order would be dismissed. There would be no review of that dismissal, but it would not result in any estoppels as to the issues dismissed. The effect of the order would be

to establish a presumption that the claims are unpatentable.

Accompanying the order would be a schedule for the proceeding, modeled in large part on the typical schedule for the motions in an interference⁸. At Time 1, any motions by the patent owner (discussed below) and the patent owner’s opposition to any requester motion on benefit would be due. At Time 2, requester’s oppositions to the patent owner’s motions and the requester’s reply to the owner’s opposition on benefit would be due. At Time 3, the patent owner’s reply to the requester’s motions would be due. At Time 4, the requester’s sur-reply (see 35 U.S.C. § 314(b)(2)), limited to arguments of the patent owner, would be due.

Under this procedure, the times would be set so that the total elapsed time to a decision ripe for appeal would be one year.

What Motions Could The Patent Owner File?

Under the proposed procedure, a patent owner may be allowed to file a motion (a) to reconsider the order granting the request based on the evidence of record or (b) to reconsider the order in light of additional evidence, such as declaration evidence of secondary considerations, expert opinions, and other evidence. Amendments to claims would be permitted upon a motion by the patent owner that is accompanied by a showing of support for the proposed amendment and a showing why the proposed amendment makes the claims patentable. Additionally, the patent owner would be permitted to file motion(s) (a) to amend the specification to claim benefit of an earlier application and (b) to amend the specification to correct inaccuracies.

Admissibility Of Evidence

In a trial-like proceeding as proposed, evidence would be governed by the Federal Rules of Evidence (FRE), just as it is in interferences and other contested cases⁹. So, unlike submissions in an examination setting, documents and declaration testimony would be admitted only by establishing a foundation and making a showing of relevance. Documents would also need authentication as required by the FRE. An open issue – one that may have a significant impact on pendency – is whether or not time should be allowed for cross examination of any declarants.

Decision On Motions & Appeal To Board

With a record consisting of the request, motions, oppositions, replies, and sur-

replies, a single Administrative Patent Judge would enter a decision. The decision of the single APJ – acting in the capacity of “primary examiner” – would then be appealable to a three-APJ panel of the Board. The appeal would follow a conventional route for inter partes proceedings, that is, the party in the position of appellant would file an opening brief, followed by the opponent’s response brief, followed by the appellant’s reply brief. As in present interference practice, an oral hearing would be held. The decision of the panel would be a final judgment – the final determination of the Office – appealable to the Federal Circuit under 35 U.S.C. § 141.

WHAT ARE THE PROSPECTS?

The proposed procedure just described has the obvious inefficiency resulting from the statutory scheme of having a two-stage proceeding in the Patent and Trademark Office. Yet, if executed as envisioned, an inter partes reexamination proceed-

ing conducted entirely under the Board’s jurisdiction could – even in the absence of statutory amendments – cure some of the more notorious shortcomings of the present process. And that in turn could permit the Office to deliver a workable alternative to District Court litigation on validity of patents, at least within the limitations of the present reexamination scheme – that is, validity issues raised by patents and printed publications. Expanding the scope of reexamination to include other validity issues, including those arising under 35 U.S.C. § 112, would of course require action by Congress.

Assuming that these issues with inter partes reexamination proceedings could be tackled through rule changes or by legislation, yet another hurdle will likely remain. Equipping the Board to take on inter partes reexamination in addition to the record number of ex parte appeals already on its docket would require a significant infusion of resources. And with budgets already stretched and a hiring freeze in place, we’re

not likely to see these or similar proposals put into practice any time soon.

ENDNOTES

1. The views expressed in this article are those of the author and do not necessarily represent those of McAndrews Held & Malloy Ltd. or any of its clients.
2. *Cooper Cameron Corp. v. SAFOCO, Inc.*, Nos. 2009-1435, 2009-1459
3. <http://www.uspto.gov/web/patents/cru.html>
4. See M.P.E.P. § 2242
5. www.uspto.gov/go/dcom/bpai/Standing-Order.pdf
6. *Prepared Statement of Philip S. Johnson, Chief Intellectual Property Counsel, Johnson & Johnson On Behalf of the Coalition for 21st Century Patent Reform Before the United States House Committee on the Judiciary “Patent Reform Act of 2009” H.R. 1260, April 30, 2009.*
7. See Hart, *Post-Grant Review: Interference Procedure Retooled*, <http://www.law360.com/articles/94759> (April 7, 2009)
8. See Standing Order, Appendix – Form 3.
9. See 37 C.F.R. § 41.152