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Post-Grant Review: Interference Procedure Retooled

Law360, New York (April 07, 2009) -- The patent reform ball is rolling once again, principally in the form of closely parallel Senate and House bills, H.R.1260 and S.515, both titled as "The Patent Reform Act of 2009." (S. 610, more recently introduced by Sen. Jon Kyl, R-Ariz., has no House equivalent.)

On April 2, 2009, the Senate Judiciary Committee approved S. 515, as modified by a compromise amendment, by a vote of 15 to 4, paving the way for consideration by the full Senate.

Both H.R.1260 and S.515 propose to create a long-awaited post-grant review mechanism. Simultaneously, the bills propose to adopt a first-inventor-to-file priority scheme that would eliminate the priority contest aspect of current-day interference practice.

Remaining as a quasi-priority contest, however, will be the proposed "derivation proceeding," which is the subject of an amended 35 U.S.C. § 135(a).

The proposed post-grant mechanism would nominally be an entirely new proceeding. However, the procedural machinery for deciding questions of patentability in a fully inter partes forum already exists in the Patent and Trademark Office.

Indeed, we are likely to see post-grant proceedings conducted under essentially the same regime provided by the current rules and Standing Order governing present-day interferences at the Trial Section of the Board of Patent Appeals and Interferences.

So, though commentators have characterized the proposed post-grant review proceeding as a freshly-constructed contest, it is instead the product of years of refinement of interference motion practice and bears striking similarity to most aspects of current interference practice.

The prospect of keeping an interference-like proceeding may at first seem to be bad news

rather than good, since interferences are widely thought to be unnecessarily complex.

But there's good reason to welcome a post-grant contest using the best of interference practice. That's because a reform bill — and its first-inventor-to-file system — will eliminate nearly every “gotcha” that has bedeviled parties to interferences.

No more “priority statements,” no more § 135(b) traps, no more “counts,” no more “interference estoppel,” no more “contingent motions,” no more seemingly impenetrable jargon.

What will remain is the robust trial-like proceeding for resolving patentability issues that has been honed over the 10-year life of the Trial Section of the Board of Patent Appeals and Interferences.

What follows is a brief review of the principal features of the proposed post-grant review proceeding in relation to their present interference counterparts.

No Ticket Required

Under current law, only an owner of a patent application or a patent claiming “interfering subject matter” can challenge a patent by provoking an interference.

Even then, it's within the discretion of the Director of the Patent and Trademark Office as to whether or not an interference will be declared.

And under current law, one wanting to challenge a patent in court must (with one significant exception for pharmaceutical patents — under Hatch-Waxman) make and sell a product, or practice a method, covered by the patent in order to provoke either a lawsuit or the threat of one.

Initiating a post-grant review proceeding, however, won't require a prospective patent challenger to own a “ticket”, i.e., a patent application or patent claiming “interfering subject matter,” nor require the challenger to take on any commercial risk as a prerequisite to achieving standing to attack a patent.

The Petition — An Interference Motion for Judgment in Disguise

Under proposed § 321, a petition for cancellation may be based on any ground of invalidity, with the exception of failure to disclose the best mode.

Evidence in support of the petition can be "... copies of patents and printed publications, or written testimony of a witness attested to under oath or declaration by the witness ..."

In other words, the evidence will take the form of a written submission, just as it does in an interference motion for judgment based on unpatentability.

A One-Year Window — Echos of § 135(b)

A cancellation petition can be filed only within one year of grant of the patent, unless the patent owner consents in writing to a later filing. That one-year limit for challenging a patent mirrors the current interference provision of 35 U.S.C. § 135(b)(1). The exception that a petition can also be filed anytime with the patent owner's consent, however, has never been a part of § 135(b).

Now: "Declaration" — Then: "Determination"

A post-grant review proceeding will be initiated when the Director makes a "determination" that the petition "provides sufficient grounds to believe that a substantial question of patentability exists for at least one claim in the patent." (Note that the issue of patentability need not be "new" as is currently required in the case of reexamination.)

Presently, there is a "declaration" of an interference when, "in the opinion of the director," an interference exists.

There's no right of appeal from the exercise of the discretion to declare or not to declare an interference. Similarly, the Director's determination as to whether or not to institute a post-grant review proceeding is, in the language of the bills, "not reviewable."

Rulemaking by the PTO

The conduct of post-grant review proceedings will be governed by regulations promulgated by the Patent and Trademark Office pursuant to proposed § 326.

In promulgating those rules, the bills require that, "the director shall consider the effect on the economy, the integrity of the patent system and the efficient administration of the Office."

One needs to look only as far as the existing rules for a model for such regulations: specifically, 37 C.F.R. Chapter 41, Subpart D — Contested Cases.

Patent Trial and Appeal Board — A Long-Overdue Name Change

Post-grant proceedings are assigned by the proposed bills to the Patent Trial And Appeal Board, which is the renamed Board of Patent Appeals and Interferences. Decisions in the post-grant proceeding will therefore be made by the very same Administrative Patent Judges who presently decide interferences.

One Year Timetable — Motions Phase Revisited

The bills provide that a final determination on the petition must be made within one year of the institution of the proceeding, though the Director will have discretion to extend the period by six months upon a showing of good cause.

Though not specified by the current interference statute, one year is the same period presently targeted by the Board of Patent Appeals and Interferences for a decision on most interference motions, such as motions for judgment based on the unpatentability of an opponent's claims.

Limited Authority for Stays

Nothing in present Title 35 speaks to the question of whether or not the Patent and Trademark Office should stay interference proceedings pending the outcome of parallel District Court litigation, but the new bills tackle that issue head-on with regard to post-grant review proceedings.

Pursuant to proposed § 333(b), the Director may stay the proceeding "if a pending civil action for infringement of a patent addresses the same or substantially the same questions of patentability raised against the patent in a petition for the post-grant review proceeding."

Interferences are rarely stayed pending the outcome of District Court litigation. One reason is that a court decision in favor of the patent owner would not necessarily be binding on the Board of Patent Appeals and Interferences.

Why? Because the standard of proof at the Board is "preponderance of the evidence" (as it will be in the proposed post-grant proceeding), while in court the higher "clear and convincing evidence" standard applies.

A Trial on Paper

A post-grant proceeding can be initiated by filing a petition that sets forth — for each claim

sought to be canceled — “the basis for cancellation and provides the evidence in support thereof, including copies of patents and printed publications, or written testimony of a witness attested to under oath or declaration by the witness, or any other information that the Director may require by regulation.”

This description of the petition for cancellation tracks very closely the working definition of an interference motion for judgment based on the unpatentability of an opponent’s claims.

Though the bills specifically mention written testimony, they contain no specific provision for an opportunity for cross-examination. Yet one can reasonably expect that the regulations will provide for such an opportunity, just as there is in interferences.

Indeed, under current interference practice (as reflected in the Board’s Standing Order), each declaration must contain an acknowledgement by the witness that he/she must be available for cross-examination during the time period set in the interference.

With respect to evidence in general, one can safely expect that the implementing regulations will adopt the Federal Rules of Evidence (FRE) in post-grant review proceedings. Indeed, the existing rules governing Contested Cases generally, including interferences, provide that the FRE shall be applicable. See 37 C.F.R. § 41.152.

Discovery — Interests of Justice

There will be discovery in post-grant review proceedings, as contemplated by proposed § 326, which instructs the director to prescribe regulations governing the conduct of the proceeding:

“(3) setting forth procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding, and the procedures for obtaining such evidence shall be consistent with the purpose and nature of the proceeding.

“In carrying out paragraph (3), the director shall bear in mind that discovery must be in the interests of justice.”

This sort of discovery, however, will very likely resemble current interference discovery, rather than discovery permitted by the Federal Rules of Civil Procedure.

That’s an important point, since many are of the opinion that the term “interference

discovery” is an oxymoron because discovery is so narrowly restricted in interferences.

Current practice requires one to obtain leave by motion to conduct anything remotely resembling discovery in district court. And the “interest of justice” standard has proved to be a formidable barrier to success on such a motion.

Protective Orders

In a departure from interference practice, the bills provide that the regulations governing the post-grant review proceeding “may provide for protective orders governing the exchange and submission of confidential information.” See proposed § 326(b)(5).

Additionally, the parties may redact from certain filings material subject to the terms of a protective order issued in another case, i.e., “written statements of the patent owner filed in a proceeding before a federal court or the Patent and Trademark Office in which the patent owner takes a position on the scope of one or more patent claims.” See proposed § 301(c)(2).

Proof by a Preponderance

The standard of proof in a post-grant review proceeding will be the “preponderance of the evidence,” just as it is in current interferences.

No Presumption of Validity

In a post-grant review proceeding, the presumption of validity (35 U.S.C. § 282) will not apply. The same is true in current interference proceedings.

Amendment of Claims — On Motion

Once the post-grant review proceeding is underway, the patent owner will have the opportunity to file a single motion to cancel and/or offer a substitute for any challenged claim. Additionally, the motion may seek to amend the drawings or parts of the patent other than the claims.

Rules governing such a procedure are already in place and are already governing interference proceedings.

Indeed, a motion such as that contemplated by proposed § 329 is identified as a permissible motion in the current contested case rules; specifically, 37 C.F.R. § 41.121(a)(1)(i) (a motion

to “redefine the scope of the contested case”).

Further, existing 37 C.F.R. §§ 41.121 – 41.123 specify the requirements and times for filing motions, oppositions and replies.

Appeals — Goodbye (Almost) to § 146

Either party dissatisfied with the outcome of a post-grant review proceeding can appeal the determination of the Patent Trial and Appeal Board to the Court of Appeals for the Federal Circuit under proposed § 336.

The proposed provision refers in turn to 35 U.S.C. § 141, therefore adopting the current direct appeal route to the Federal Circuit from judgments of the Board of Patent Appeals and Interferences in interference proceedings.

The current option for interference appeals to proceed first to District Court under 35 U.S.C. § 146 will disappear as to post-grant review proceedings, but will remain available for derivation proceedings created by proposed amended 35 U.S.C. § 135(a).

A Seamless Transition from Interference Practice

Conventional wisdom held that a post-grant review proceeding — in combination with a first-inventor-to-file scheme — would fully eliminate interference practice as it currently exists.

But S.515 and H.R. 1260 leave a quite different impression. As briefly recounted in this article, there are far more similarities than differences between an interference proceeding and the proposed form of a post-grant review proceeding.

In terms of presentation of evidence — both testimony and documents — and in terms of motion practice and form of advocacy, there’s unlikely to be any substantial difference between an interference proceeding and a post-grant review proceeding.

The result? Familiarity and experience with current interference practice will allow a near seamless transition into the “new” post-grant review practice.

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