

The Proposed Post-Grant Review Proceedings and Reexamination

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INTRODUCTION

If the Patent Reform Act of 2009¹ is passed, a dramatic change will occur to the review of granted patents. There will be three vehicles for challenging the validity of patents at the U.S. Patent & Trademark Office (PTO) including (1) *ex parte* reexamination, (2) *inter partes* reexamination, and (3) a new option, referred to as post-grant review (PGR) proceedings.² This article provides a comparative overview of these vehicles.

AVAILABILITY

As summarized in the adjacent chart, PGR proceedings will be available only during the first year of the patent. By contrast, *ex parte* reexamination will continue to be available during the enforceability period of a patent, and *inter partes* reexamination will remain available for challenging the validity of a patent that resulted from an application filed on or after November 29, 1999.³

BASIS

As the chart also indicates, PGR proceedings provide more bases for a third party to challenge a patent than reexamination. Unlike reexamination, PGR proceedings will be able to resolve almost all types of patentability issues. Presently and under the bills, reexamination challenges can be based on lack of novelty, obviousness, or double patenting based on printed publications. PGR challenges can be based on any ground for invalidity that is permitted under 35 U.S.C. § 282, except for failure to meet the best mode requirement (which would also be deleted as a litigation defense under the Patent Reform Act).

DECISION MAKERS

The present regime for *ex parte* reexamination will remain largely as it is. *Ex parte* reexamination proceedings will continue to be handled by the Central Reexamination Unit (CRU). However, *inter partes* reexamination proceedings will no longer be handled by the CRU and will be conducted instead before a panel of three administrative law judges of the Patent Trial and Appeals Board (PTAB), which will replace the Board of Patent Appeals and Interferences. PGR proceedings will also be conducted before the PTAB.

NO VALIDITY PRESUMPTION

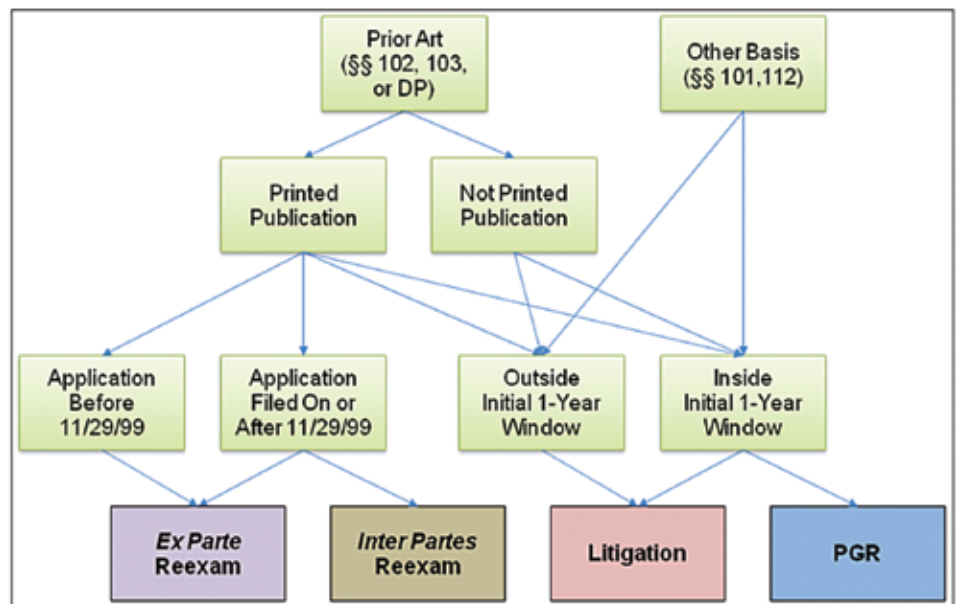
The presumption of validity under 35 U.S.C. § 282 will not apply in PGR proceedings just as it does not apply during reexamination.⁴ As in reexamination, the challenger in PGR proceedings will be required to prove a proposition by a preponderance of the evidence. The PTO will almost certainly give claims their broadest reasonable interpretation during PGR proceedings, just as it does in reexamination and reissue.

INITIATION

Validity challenges are pursued via reexamination by filing a request for reexamination and via a post-grant review proceeding by filing a cancellation petition. A request for reexamination must raise "a substantial new question of patentability."⁵ A "new" question is one that the PTO has not previously considered.⁶ The requirement for a cancellation petition does not mirror this standard since the cancellation petition must merely raise "a substantial question of patentability."⁷ Presumably, this distinction in the threshold for institution of the proceedings will allow reconsideration in PGR proceedings of issues already considered by the examiner during prosecution of the patent.⁸

PROCEDURES

The PTO will be required to implement rules to establish the procedures for the PTAB's handling of PGR proceedings, such as limited discovery, publication of petitions, public access of files, owner notification, prevention of abuse of discovery,



protective orders, and relationships with other proceedings. Discovery will “be limited to evidence directly related to factual assertions advanced by either party in the proceeding.”⁹ The PTO will decide how to deal with other pending proceedings – such as reexamination, reissue, interference, derivation, or another PGR proceeding for the same patent. Like *inter partes* reexaminations, a PGR proceeding can be stayed by the PTO, if a civil action is pending that raises the same or substantially the same questions of patentability raised in the PGR proceeding.¹⁰

Patent owners typically do not respond to reexamination requests, as it is generally prudent to wait until after an Office action is received. Such an approach will probably not be feasible in PGR proceedings, as the patent owner will only be able to file one motion to make amendments in response to a cancellation petition. Furthermore, the patent owner’s ability to amend claims will be limited. Specifically, for each challenged claim, the owner may either cancel it or propose a substitute claim. That is quite different from reexamination, where an owner can freely cancel, amend, and add new claims as long as no claim is broadened. The prohibition against broadening will also apply in PGR proceedings.

PGR proceedings, however, may permit more liberal amendments to the patent other than the claims. Whereas, it is questionable whether amendments other than those required to respond to a rejection are permissible in reexamination,¹¹ amendments to the text or drawings of the specification in PGR proceedings appear to be unrestricted in that regard.

PARTICIPATION RIGHTS

In *ex parte* reexamination, a challenger has essentially no participation in the reexamination after filing the request. As such, the patent owner may be able to achieve results alone that it could not achieve against active opposition, especially by taking advantage of the opportunities to conduct *ex parte* interviews with the CRU examiners.

The challenger’s participation rights in *inter partes* reexamination include not only the filing of the request (just as in *ex parte* reexamination) but also the right to file comments in response to every Office action response filed by the patent owner, comparable to a party’s right to be heard in litigation. The participation rights offered

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by *inter partes* reexamination over *ex parte* reexamination make it a compelling option.

The Patent Reform Act does not specify what happens in a PGR proceeding after the patent owner responds to the cancellation petition. On one hand, the parties should have some opportunity to make submissions based on the discovery that takes place during the proceeding. On the other hand, the PTO will be under pressure to conclude the proceeding promptly (more on that below). As a result of that pressure, the parties’ ability to make additional submissions after the owner’s response to the cancellation petition will likely be limited.

PACE & DURATION OF PROCEEDINGS

PGR proceedings will be considerably faster than reexaminations. First, the PTO will be required to act on a cancellation petition within 60 days after its filing – somewhat sooner than the 90-day deadline for acting on a reexamination request.¹²

Thereafter, PGR proceedings will move much faster. The PTO reports that the average durations for *inter partes* and *ex parte* reexamination are respectively about three years and about two years.¹³ Moving *inter partes* reexamination from the CRU to the

PTAB would not likely decrease this duration. The Patent Reform Act optimistically requires the PTO to issue a final written decision in a PGR proceeding not later than one year (or 18 months if good cause is shown) after the date on which the proceeding is instituted. Thus, a PGR proceeding should typically be finally resolved at the PTO within 14 months after the cancellation petition is filed.

APPEAL

Presently, in *inter partes* reexamination, the requester can appeal to the Board of Patent Appeals and Interferences, and also to the Federal Circuit if the request was filed on or after November 22, 2002. An *ex parte* reexamination requester, on the other hand, cannot appeal an adverse decision to the Board, cannot participate at all in a Board appeal initiated by the patent owner, and cannot appeal an adverse Board decision to the Federal Circuit, but may be able to participate as an intervenor in a Federal Circuit appeal taken by the patent owner.

Both parties to a PGR proceeding will have full appeal rights, much as in recent *inter partes* reexamination. Unlike reexamination decisions, which begin in the exam-

ining corps, PGR decisions are directly appealable to the Federal Circuit and therefore likely to be finally resolved more quickly than many reexaminations.

SETTLEMENT

An *ex parte* reexamination cannot be halted by the requester after the request is filed, whereas that can sometimes be accomplished in *inter partes* reexamination if there is concurrent litigation. Settlement of PGR proceedings by the parties will be explicitly permitted provided the PTAB has not issued a decision.

ESTOPPEL

Inter partes reexamination is unavailable to a requester who is estopped, either from an unsuccessful validity challenge in litigation or an earlier *inter partes* reexamination.¹⁴ There is no such estoppel for *ex parte* reexamination as a matter of law. Whether that is a difference without a distinction is debatable. As a practical matter, an unsuccessful *ex parte* reexamination severely compromises the ability to make the same or similar challenge in court.

The Patent Reform Act proposes modifications to the estoppel provisions for *inter partes* reexamination. Presently, the estoppel generally applies only after all appeal rights have been exhausted and extends to arguments that could have been raised in the prior proceeding. As modified, the estoppel from prior litigation will be effective once a district court enters judgment, thereby removing the requirement that all available appeals be decided, and the scope of estoppel will extend only to arguments actually raised in the *inter partes* reexamination.

These modified estoppel provisions will essentially apply to PGR proceedings. Furthermore, the PTO will not permit a PGR proceeding requested by the same petitioner regarding the same patent.

EFFECTS

At the conclusion of a PGR proceeding, the PTO will issue a certificate, much like a reexamination certificate, canceling any claim of the patent finally determined to be unpatentable and incorporating in the patent by operation of the certificate any new claim determined to be patentable.

Like *ex parte* and *inter partes* reexaminations, any new claim held to be patentable and incorporated into a patent in a PGR proceeding will have the same effect as that


specified in 35 U.S.C. § 252 for reissued patents with respect to intervening rights and past liability for infringement of new or amended claims.¹⁵

The commencement of a PGR proceeding will not limit in any way the right of the patent owner to commence an action for infringement of the patent. Codifying predominant case law regarding reexaminations, the Patent Reform Act will prohibit citing a pending PGR proceeding as evidence relating to the validity of any claim of the patent in any proceeding before a court or the International Trade Commission.

COMPARISON TO EUROPEAN OPPOSITIONS

The number of patents that are reexamined at the PTO is about 0.5% while the percentage of patents subject to oppositions at the European Patent Office (EPO) is around 5%. The popularity of EPO oppositions may be due to (1) the fact that any validity challenge can be brought in opposition and (2) the absence of estoppel resulting from an opposition. By providing PGR proceedings that more closely resemble EPO oppositions, the Patent Reform Act will likely increase the percentage of patents that are challenged at the PTO.

CONCLUSION

The proposed PGR proceedings differ from the current system for reexamination primarily in that PGR proceedings (1) can be brought on the basis of all patentability issues – not just printed publication prior art, (2) will be decided directly at the Board level, (3) will be available only for a limited initial window during the first year of the patent, (4) will likely be resolved more quickly, (5) will not preclude subsequent challenges based on issues that could have been raised, and (6) will have some features of litigation, including limited discovery and settlement, somewhat like interferences. In a sentence, PGR proceedings promise to provide early fast-track agency-level, litigation-like resolution of all patent validity issues. Patentees will need to more closely monitor the grant of patents owned by competitors so that cancellation petitions can be filed after issuance. During the first year of a patent, PGR proceedings will be the preferred choice for many patent challengers. 

ENDNOTES

1. The Patent Reform Act of 2009 was introduced on March 3, 2009 as Senate Bill 515 and House Bill 1260. Senate Bill 515, approved on April 2, 2009 by the Senate Judiciary Committee, adds new statutes 35 U.S.C. §§ 321-336 governing PGR proceedings.
2. The authors believe that it would be simpler to borrow nomenclature from the EPO and refer to the proceedings as oppositions. Also, referring to the proceeding as a cancellation proceeding is objectionable since it presumes the outcome.
3. *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1331-32 (Fed. Cir. 2008) (actual filing date – not priority date – of “continuations, divisionals, continuations-in-part, continued prosecution applications and the national stage phase of international applications” can be used to determine eligibility for *inter partes* reexamination).
4. *In re Swanson*, 540 F.3d 1368, 1378-79 (Fed. Cir. 2008) (no presumption of validity in reexamination); 35 U.S.C. § 328(a) (as proposed) (same for PGR proceedings).
5. *Swanson*, 540 F.3d at 1378-79.
6. *Id.*
7. 35 U.S.C. § 325(a) (as proposed).
8. Micah D. Stolowitz, *The Patent Reform Act of 2009 – Reexamination and Post-Grant Review*, IPC Legal Browser 14 (fall 2009).
9. 35 U.S.C. § 326(a)(3) (as proposed).
10. *Compare* 37 C.F.R. § 1.1987 (suspension of *inter partes* reexamination pending litigation) *with* 35 U.S.C. § 333(b) (stay of PGR proceeding pending litigation).
11. James R. Klaiber, *Reexamination Amendments Made for an Improper Purpose – A New Basis for Invalidity Under 35 U.S.C. § 305*, Intellectual Property Today 33-35 (Nov. 2008).
12. *Compare* 35 U.S.C. § 303(a) (setting three-month deadline for PTO to grant or deny *ex parte* reexamination request) *and* 35 U.S.C. § 312(a) (same for *inter partes* reexamination) *with* 35 U.S.C. § 325(b) (as proposed) (60 days for decision on cancellation petition).
13. U.S.P.T.O., *Ex Parte* Reexamination Filing Data (June 30, 2009), *available at* http://www.uspto.gov/patents/stats/ep_quarterly_report_december_31_2009.pdf; U.S.P.T.O., *Inter Partes* Reexamination Filing Data (June 30, 2009), *available at* http://www.uspto.gov/patents/stats/ip_quarterly_report_dec_31_2009.pdf.
14. 35 U.S.C. § 317(b).
15. Matthew C. Phillips & Kevin B. Laurence, *Claim Changes in Reexamination and Reissue*, Intellectual Property Today 24-26 (Feb. 2010).
16. *Compare Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1342-43 (Fed. Cir. 2009) (no abuse of discretion in excluding evidence of pending reexamination) *with* 35 U.S.C. § 333(c) (as proposed) (codifying same for PGR proceedings).