

Post-Grant Review Proceedings Compared with EPO Oppositions

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Their treatise titled “*Post-Grant Patent Practice: Review, Reexamination, Reissue and Supplemental Examination*” will be available in 2012 from the Patent Resources Group. Their CLE course of the same name will be taught March 29-31 in Bonita Springs, Florida.

Post-grant review proceedings and *inter partes* review proceedings in the America Invents Act (AIA) are the latest evolution in options for challenging patents at the U.S. Patent and Trademark Office (PTO). Post-grant review will be available during the first nine months after issuance of a patent and will permit challenges on all possible bases, while *inter partes* review will be available for the remainder of a patent’s period of enforceability and will permit challenges based on prior art printed publications. Post-grant review was inspired by opposition proceedings at the European Patent Office (EPO), as was *inter partes* reexamination in 1999. While the U.S. has moved toward oppositions in incremental steps, post-grant review is a leap in this direction, as this new procedure more closely resembles oppositions than its predecessors do.

Like post-grant review proceedings, oppositions are available on most possible bases during the nine-month window after issuance and are conducted before an administrative agency with full involvement by the third party that requested the proceeding. They are so structurally similar that it is surprising post-grant review proceedings are not just named “opposition proceedings.” Nevertheless, these gener-

ally analogous proceedings do have significant differences. This article provides a comparative overview of post-grant review and opposition proceedings.

POPULARITY

The typical volume of U.S. patents reexamined each year is only about 0.5% of those granted. The percentage of European patents opposed each year is typically about 5% of those granted.¹ Will post-grant review approach this order-of-magnitude difference? This question will be analyzed after the different aspects of these proceedings have been compared.

AVAILABILITY/TIMING

Inter partes review will be available on September 16, 2012 for patents that are at least nine months old. On the same date, *inter partes* reexamination will no longer be available. Post-grant review will be available for patents with a priority date on or after March 16, 2013,² so some patents may be eligible for post-grant review by 2014, and the volume of available patents will certainly increase in 2015. This provides plenty of time to implement monitoring systems to ensure that patents are analyzed for post-grant review before the expiration of the nine-month window for each such patent.

Currently, it is advisable to analyze European applications upon publication, to then monitor their progression, and to docket deadlines for assessing the need for an opposition before the expiration of the nine-month window. The same actions will be needed with respect to U.S. patents in light of post-grant review. The EPO provides a convenient service for notifying a third party about the progress of another party’s patent application.³ It would be beneficial for the PTO to match this service, preferably well before post-grant review proceedings are available. It will also be necessary to evaluate broadening reissue patents, as these will also be subject to post-grant review during the nine-month period after reissuance.⁴ Non-broadening reissue patents will be free from post-grant review scrutiny.

BASIS/GROUNDS

Post-grant review provides a substantial expansion beyond the bases for reexamina-

tion, which are limited to lack of novelty, nonobviousness, or double patenting in view of only prior art printed publications. Challenges in a post-grant review can be based on any ground for invalidity that is permitted in litigation, which now excludes challenges under the best mode requirement.⁵ The enumerated bases available for oppositions are nearly as broad as those provided for by post-grant review; however, an opposition proceeding cannot be based on a lack of clarity or unity.⁶ Post-grant review can also be based on a novel or an unsettled legal question that is important to other patents or applications.⁷ This omnibus section will ensure that all options for attack are available and will likely result in creative challenges.

Of course, although certain categories of available bases for attack may be the same, actual implementation of such attacks can vary between the two systems due to their fundamental differences, such as the definitions of patentable subject matter, novelty, and obviousness. An exhaustive discussion of these substantive differences is beyond the scope of this article, but a few are highlighted. For example, the U.S. system maintains its one-year grace period, so its novelty standard is more lenient than the EPO’s absolute novelty requirement. On the other hand, the U.S. will become harsher than the EPO in another respect by permitting secret prior art (an application filed before, but published after, the filing date of an application of a patent being reviewed) to be used to establish lack of novelty and obviousness.⁸ In contrast, the EPO permits secret prior art to be used only as a novelty-destroying reference, but does not allow it be used to contest inventive step. Considering that an application is typically not published until 18 months after its priority date, a large number of applications will be available to establish obviousness in the U.S. that would not be available in similar circumstance at the EPO.⁹

INITIATION/THRESHOLD

Post-grant review will not be initiated unless the petition shows that it is more likely than not that a challenged claim is unpatentable.¹⁰ This standard is significantly higher than the threshold for requesting *ex parte* reexamination and is similar to the new threshold for *inter partes* reexamination, which will also be used for *inter partes* review. The intent of this heightened standard is to prevent infring-

ers from filing petitions that drag patent owners into vexatious proceedings. This is particularly important considering the expected cost of defending a patent in a post-grant review.

A petition for post-grant review may also be rejected if the same or substantially the same prior art or arguments have been previously presented to the PTO.¹¹ This is similar to the “substantial new question of patentability” standard used in *ex parte* reexamination and that was previously used in *inter partes* reexamination.¹²

The articles and rules related to oppositions provide no analogous barrier to burdensome oppositions having dubious bases. This is particularly problematic considering the cost of defending an opposition and, moreover, considering that an opposition begins only after the costs of validating the patent in individual states have been incurred.

IDENTITY

A petition for a post-grant review proceeding must identify the real party in interest.¹³ Anonymity is not permitted due to the estoppel provisions associated with this procedure, which are discussed below. When a third party wishes to maintain anonymity while challenging validity, *ex parte* reexamination can be used instead, so long as the challenge is based on prior art printed publications. In contrast to post-grant review, a notice of opposition may be filed by a straw man to conceal the identity of the real party in interest.¹⁴

PRESUMPTION/BURDEN

The presumption of validity under 35 U.S.C. § 282 will not apply in the new review proceedings, just as it does not apply in reexamination proceedings.¹⁵ As in reexamination, the challenger in a new review proceeding will be required to prove a proposition by a preponderance of the evidence¹⁶ instead of the higher standard used in litigation: the clear and convincing standard.¹⁷ In an opposition, the opponent has the burden of proof. However, it can be reversed in certain circumstances, such as proving the existence of a secrecy agreement to argue that a disclosure was confidential.

CONSTRUCTION

The PTO will likely give claims their broadest reasonable interpretation during the new review proceedings, just as it does in reexamination and reissue. This broad interpretation makes it much easier to

mount an invalidity attack, as compared with the narrow construction given during litigation in U.S. district courts. There is no analog to this distinction in Europe, since validity challenges after the nine-month window must be brought in national courts. Also, the interpretation of claims by the EPO has no impact on the national courts. Another distinction with the U.S. system relates to prosecution history estoppel, as statements made during prosecution of the patent do not bind the patent proprietor during the opposition phase.

DECISION MAKERS

Post-grant review will be conducted before panels of three administrative law judges of the Patent Trial and Appeals Board (PTAB), which will replace the Board of Patent Appeals and Interferences.¹⁸ This is an evolution from *inter partes* reexamination, which features three examiners from the Central Reexamination Unit with no previous involvement in the examination of the patent, which had evolved from the situation prior to August 2000 when *ex parte* reexamination was handled by the same examiner who handled the original prosecution.

An opposition is conducted by a panel of three examiners, referred to as an Opposition Division, which includes two technically qualified examiners who did not take part in the examination of the patent being opposed and a third examiner who is typically the same examiner who originally granted the patent being opposed. While the examiner who examined the patent cannot be the chair of the Opposition Division, this examiner's role might occasionally skew the proceedings to be more favorable toward the patentee when compared with post-grant review.

PROCEDURES

Once the PTO provides the rules¹⁹ for the PTAB's handling of post-grant review and *inter partes* review proceedings, more detailed comparisons will be possible. Below are a few observations based on the statutory framework of the U.S. system.

Response by Patent Owner to Petition for Post-Grant Review

Before a post-grant review proceeding is ordered, the patent owner has an opportunity to file a response to the third party's petition setting forth the reasons why a post-grant review should not be instituted.²⁰ After such a response has been filed or after the response period has expired, the PTO

will then have three months to determine whether to institute a post-grant review proceeding.²¹ As in reexamination, the PTO's decision is not appealable. The absence of such a procedure in opposition practice is a burden on patent proprietors.

Participation Rights

The AIA gives few details about what happens in post-grant review or *inter partes* review proceedings after the patent owner responds to the petition. The petitioner will likely have at least one opportunity to file written comments, presumably based on the discovery that takes place during the proceeding. 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 petition will likely be limited unless the proposed change materially advances settlement.²²

Amendments

Post-grant review and opposition proceedings both permit claims to be amended without broadening. In a review proceeding, the owner will be permitted to file one motion to amend the patent by cancelling a challenged claim or proposing a reasonable number of substitute claims for each challenged claim.²³ In contrast to the limited opportunity to change claims due to the fast-track timeline of post-grant review proceedings, claims are likely to be more easily changed throughout the opposition phase. Note that claims in a U.S. patent that are not challenged but require revision can be subsequently changed by the patent owner via *ex parte* reexamination or reissue.

Oral Hearing and Public Availability

It is advisable to request oral hearings in oppositions. Oral hearings will also be permitted in post-grant review. Post-grant review and opposition proceedings, including the oral hearings, are available to the public. However, both proceedings provide for exclusion of sensitive information.

Discovery

The PTO is developing the standards and procedures for conducting discovery in both post-grant and *inter partes* review, as well as sanctions for abuse of the discovery process. Since the bases on which post-grant review can be based are broader than those for *inter partes* review, discovery will likely be much more important in post-grant review. For example, a post-grant review based on an assertion that the

claimed invention was in public use, on sale, or otherwise available to the public before the effective filing date will likely be bolstered through discovery. It has been speculated that the limited discovery of review proceedings will be similar to the system that has been used for interference, which permits experts and witnesses to be deposed.²⁴ The type of discovery system that is implemented likely will have a significant impact on the popularity of post-grant review. However, the system is not likely to be significantly influenced by oppositions, even though oppositions permit evidence to be taken in many forms.²⁵ In practice, oppositions are primarily based on documents that are prior art references, and limited consideration is given to experts and witnesses unless the contribution is highly relevant. This is unlike U.S. litigation, which post-grant review is intended to replace.

PACE & DURATION OF PROCEEDINGS

Once instituted, the PTO must bring a post-grant review to a final determination within one year (or 18 months if the PTO can show good cause for additional time).²⁶ Assuming that the patent owner will have two months to respond to the petition for review and that the parties will have one month to appeal from the written decision, a new review proceeding can be concluded at the PTO within two years after a petition is filed. That is slightly faster than the historical average for pendency of *ex parte* reexaminations and more than one year quicker than the historical average duration of *inter partes* reexaminations.²⁷ Without an appeal, oppositions typically take two to four years to complete. The EPO does, however, provide the parties to an opposition with an option for accelerating the proceeding based on infringement litigation. Of course, the parties can also decrease the pendency by quickly responding throughout the proceeding.

While *inter partes* reexamination has increased in popularity over the last several years, the backlog at the Board significantly hurts the usefulness of this procedure from the patent owner's perspective. Because a low threshold was used for instituting *inter partes* reexamination and courts often grant stays in concurrent litigation, the significant backlog for appeals at the Board has enabled infringers to prevent a patent owner from stopping the infringement for years as litigation is stayed pending the outcome of an appeal to the Board. By

elevating the threshold and circumventing the backlog that will continue at the PTAB, post-grant review will be a more expeditious vehicle for resolving validity disputes.

APPEALS

Both parties to a post-grant review proceeding will have full appeal rights, much as in current *inter partes* reexamination. However, unlike reexaminations, which begin in the examining corps, decisions in the new review proceedings will be directly appealable to the Federal Circuit.²⁸ Since appeals to the Federal Circuit typically take about a year, a post-grant review may be concluded within about three years.

An appeal at the EPO to the Board of Appeal is not for the purpose of reviewing a particular issue, which is the case for appeals to the Federal Circuit. Rather, the Board of Appeal is able to fully reconsider all of the bases for the challenge, so the claims may be amended and new evidence may be submitted at this stage. Accordingly, appeals typically take almost as long as the typical opposition phase, generally requiring between 24 and 30 months.²⁹ No recourse is available after the decision on the substantive grounds of opposition by the Board of Appeal.

SETTLEMENT

Settlement of a post-grant review proceeding is expressly authorized at any time before the PTAB has decided the merits of the proceeding.³⁰ No estoppel shall attach to the petitioner or the real party in interest. The PTAB may terminate the post-grant review if the parties settle and no petitioner remains. However, the PTAB may also proceed to a final written decision.³¹

An opposition proceeding may continue at the discretion of the Opposition Division, when it is in the public interest, despite withdrawal of the opponent(s) brought about by a settlement. However, the opposition is typically terminated after withdrawal. Considering that the PTAB will have a large backlog, perhaps it will take a similar approach.

INTERPLAY WITH LITIGATION & ESTOPPEL

Challenging patentability of a European patent at the EPO is an inexpensive surrogate for bringing separate national revocation/nullity suits. This cost disparity has helped make oppositions popular. However, because the EPO does not have any control over the national courts of countries

that are members of the European Patent Convention (EPC), there are no provisions that prevent oppositions from being pendant to litigation in national courts or that provide for any estoppel implications. Also, because of the typical duration of an opposition, parallel proceedings at national courts are often sought.³² Such national proceedings are sometimes stayed pending outcome of the opposition.

In contrast, U.S. review proceedings are crafted to be less likely to become an adjunct to litigation, as reexamination often is. After the PTAB issues a final written decision in a post-grant review proceeding, the real party in interest will be estopped from asserting in another administrative proceeding or a civil action that a claim is invalid on any ground that the petitioner raised or reasonably could have raised with regard to that claim. It is unclear what will happen if the Federal Circuit reverses the PTAB.

Estoppel resulting from an administrative proceeding has been a concern with respect to *inter partes* reexamination. However, since post-grant review enables the parties to conduct limited discovery, it is expected that these concerns will be lowered.

If a petitioner has already filed a declaratory judgment action, a post-grant review may not be instituted.³³ If the petitioner simultaneously files or subsequently files a declaratory judgment action, the action will then be automatically stayed until the petitioner moves to dismiss the action or the patent owner files an action asserting infringement.³⁴ Note that a counterclaim challenging the validity of the patent has no implications for the availability of post-grant review.³⁵

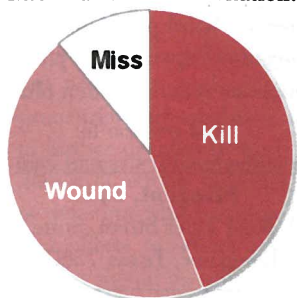
EFFECTS

At the conclusion of a post-grant review 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.³⁶ As in reexamination and reissue, changing the claims' scope will likely extinguish past liability and create intervening rights.³⁷ The EPC provides for intervening rights that are limited to the period between the decision of the Board of Appeal and publication in the European Patent Bulletin of the decision of the Enlarged Board of Appeal.³⁸

RESULTS

The PTO reports that, as of September 30, 2011, the completed *inter partes* reexaminations resulted in all claims being cancelled in 44% of the certificates, some claims being amended in 45% of the certificates, and all claims being confirmed in 11% of the certificates. These results are shown below:

Inter Partes Reexamination:



- Kill = All claims cancelled
- Wound = Claims amended
- Miss = All claims confirmed

Based at least on the similar structure for contentious *inter partes* participation, patent owners are not expected to fare better in post-grant review than they did in *inter partes* reexamination.

According to the last report of the EPO,³⁹ in 2008, patents were revoked for 44% of the oppositions, patents were maintained in amended form for 30% of the oppositions, and 26% of the oppositions were rejected. These results are shown below.

Oppositions:



COST AND LEGAL FEES

The EPO encourages the popularity of oppositions by charging a relatively nominal fee for opposing a patent⁴⁰ since a robust opposition system is viewed as contributing to the strength of European patents. The PTO is not positioned to similarly subsidize post-grant review. The resources that will be required to conduct a post-grant review proceeding in combination with the

backlog of appeals will certainly be factors for the PTO as it complies with 35 U.S.C. §§ 321(a) and 326(b) to set the filing fee.

According to the AIPLA Report of the Economic Survey 2011, legal fees for requesting *inter partes* reexamination appear to range from about \$15,000 to about \$75,000 and the cost for challenging (not including preparation of the request) or defending a patent in *inter partes* reexamination appears to range from about \$40,000 to about \$170,000. It is expected that post-grant review will be more expensive due to the availability of limited discovery, and thus will be more similar in cost to interferences, which, on average, cost over \$300,000 through the preliminary motion phase and over \$600,000 through completion.

Legal fees for preparing and filing a notice of opposition are typically less than those for preparing and filing a request for *inter partes* reexamination. Some factors for the price difference may be the higher percentage of *inter partes* reexamination proceedings that are involved in litigation and the estoppel concern that drives the need for more exhaustive invalidity assertions. Similarly, the costs for the opposition, including oral proceedings, are typically less than those for an *inter partes* reexamination. However, costs vary depending on the complexity of the issues involved and the number of bases for asserting that a claim is not patentable.

CONCLUSION

The system for oppositions provided a helpful model for developing post-grant review. Post-grant review features improvements over the present options for challenging patents at the PTO. The higher threshold for initiating this procedure, as compared with *inter partes* reexamination prior to the AIA, decreases burdens on patent owners. Post-grant review also will be completed much quicker than *inter partes* reexamination and less expensively than litigation, while allowing focused discovery. These factors will contribute to the popularity of post-grant review, but it is too early to project its utilization as compared with oppositions. IPT

ENDNOTES

1. EPO, Annual Reports 2004-2009.
2. Under AIA § 6(f)(2)(A), the effective date is September 16, 2012, but AIA § 3(n)(1) limits consideration to patents with a priority date on or after March 16, 2013.
3. EPO, Register Alert (last updated Feb. 3, 2011), <http://www.epo.org/searching/free/register-alert.html>.

4. 35 U.S.C. § 325(f).
5. 35 U.S.C. § 321(b).
6. EPC art. 100.
7. 35 U.S.C. § 324(b).
8. Anthony C. Tridico et al., *Post-Grant Review v. EPO Oppositions*, IP Law360 (Oct. 20, 2011).
9. Courtenay C. Brinckerhoff, *Top 10 Lies About Patent Reform*, IP Law360 (Oct. 26, 2011).
10. 35 U.S.C. § 324(a).
11. 35 U.S.C. § 325(d).
12. Matthew C. Phillips & Kevin B. Laurence, *Changes to Reexamination Under the America Invents Act*, Intell. Prop. Today 22-23 (Nov. 2011).
13. 35 U.S.C. § 322(a)(2).
14. EPC art. 99(1).
15. *In re Swanson*, 540 F.3d 1368, 1378-79 (Fed. Cir. 2008) (no presumption of validity in reexamination).
16. 35 U.S.C. § 326(e).
17. Kevin B. Laurence & Matthew C. Phillips, *Reexamination in Light of i4i and Therasense*, Intell. Prop. Today 22-24 (Aug. 2011).
18. 35 U.S.C. § 326(c).
19. 35 U.S.C. § 326(a).
20. 35 U.S.C. § 323.
21. 35 U.S.C. § 324(c).
22. 35 U.S.C. § 326(d)(2).
23. 35 U.S.C. § 326(d).
24. Charles Gholz, *Linking Post-Grant Review with Interference Procedure*, Patently-O Blog (Mar. 22, 2009), <http://www.patentlyo.com/patent/2009/03/gholz-linking-post-grant-review-with-interference-procedure.html>.
25. EPC art. 117.
26. 35 U.S.C. § 326(a)(11).
27. U.S.P.T.O., *Ex Parte Reexamination Filing Data* (Sept. 30, 2011), available at http://www.uspto.gov/patents/EP_quarterly_report_Sept_2011.pdf;
28. U.S.P.T.O., *Inter Partes Reexamination Filing Data* (Sept. 30, 2011), available at http://www.uspto.gov/patents/IP_quarterly_report_September_2011.pdf.
29. 35 U.S.C. § 329.
30. Haseltine Lake, *European Oppositions Team Newsletter, EP Oppositions Update – EPO Annual Report for 2007* (July 2008).
31. 35 U.S.C. § 327(a).
32. *Id.*
33. Rebecca Baines, *Delays in European Patent Litigation: Is the Tide Turning?*, The In-House Lawyer (Mar. 12, 2010).
34. 35 U.S.C. § 325(a)(1).
35. 35 U.S.C. § 325(a)(2).
36. 35 U.S.C. § 325(a)(3).
37. 35 U.S.C. § 328(b).
38. 35 U.S.C. § 328(c); Matthew C. Phillips & Kevin B. Laurence, *Claim Changes in Reexamination and Reissue*, Intell. Prop. Today 24-26 (Feb. 2010).
39. EPC art. 112A(6).
40. EPO, Annual Report 2009.
41. The fee is presently €705.