
Article.

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***Inter Partes* Reexamination Reinvented?** **Intellectual Property Quarterly Newsletter, Spring 2011**

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Although *inter partes* reexamination has become an increasingly popular tool for challenging patent validity, the process appears to suffer from growing pains. The PTO is charged with handling reexaminations with “special dispatch.” Under the current protocol, however, the average pendency is now more than three years.¹ A typical *inter partes* reexamination involves two Office actions, two corresponding rounds of third party requester and patent owner responses, and, not infrequently, a flurry of petitions. In what can be perceived as an attempt to streamline the current process, the Senate and the House have proposed two new procedures in the “America Invents Act”: a post-grant review for newly filed patents and an *inter partes* review to replace *inter partes* reexamination.²

The proposals appears to be a substantial overhaul of *inter partes* reexamination; few aspects of the original procedure remain intact. For example, the proposed *inter partes* review no longer mimics standard prosecution, which is driven by a patent examiner (as part of a three-member Central Reexamination Unit panel) issuing office actions and deciding the merits. Instead, the proposed *inter partes* review would be decided by a newly enacted Patent Trial and Appeal Board (PTAB), with the option of an oral hearing.³ The Senate and the House have also proposed a one-year time limit for the PTAB to reach a final decision.⁴

In addition, the Senate and the House have proposed a new “post-grant review” procedure for challenging the validity of a recently issued patent based not just on anticipation and obviousness over prior art, but also upon invalidity under §§ 101 and 112.⁵ The proposed post-grant and *inter partes* procedures are closely related. The chart below and the following discussion highlight some of the key features of both.

¹ http://www.uspto.gov/patents/stats/IP_quarterly_report_Dec_2010.pdf.

² America Invents Act, S.23, 112th Cong. (1st Sess. 2011), Chapters 31 and 32, hereinafter “Senate Act,” and America Invents Act, H.R. 1249, 112th Cong. (1st Sess. 2011), Chapters 31 and 32, hereinafter “House Bill.”

³ Senate Act at §§ 316(c), 316(a)(11), 326(c), 326(a)(10); House Bill at §§ 316(c), 316(a)(11), 326(c), 326(a)(10).

⁴ Senate Act at §§ 316(a)(12), 326(a)(11); House Bill at §§ 316(a)(12), 326(a)(11).

⁵ Senate Act at Chapter 32; §321(b); House Bill at Chapter 32; §321(b).

Article.

	Current <i>Inter Partes</i> Reexamination	Proposed Post-Grant Review	Proposed <i>Inter Partes</i> Review
Timing of Initial Petition	Any time during life of the patent	Senate: within 9 months after patent issue House: within 12 months after patent issue	Senate and House: any time (during life of the patent) after the later of: the time window for filing a post-grant review petition, or after termination of any post-grant review proceeding
Scope	§§ 102 and 103 using only patents and printed publications	Senate and House: any invalidity ground under §§ 101, 102, 103, or 112	Senate and House: §§ 102 and 103 using only patents and printed publications
Burden of Proof for Grant of Petition	Substantial new question of patentability	Senate and House: more likely than not that at least 1 claim is unpatentable	Senate and House: reasonable likelihood that petitioner would prevail against at least 1 claim

TIMING

Under the Senate's proposal, post-grant review can be requested by filing a petition within nine months after the grant of the patent.⁶ The House version extends the timing to 12 months after grant.⁷ A post-grant review would not be granted, however, if the petitioner (or real party in interest) has filed a civil lawsuit challenging the validity of the patent (in, for example, a declaratory judgment action).⁸ As a result, a patent challenger would be forced to select a forum early and also may be estopped from challenging claims from the same patent in a subsequent *inter partes* review or civil lawsuit.⁹ Practically speaking, the Senate's nine-month (or the House's 12-month) window for post-grant review requires that a potential challenger actively monitor recently issued patents to identify potential threats. This contrasts with *inter partes* reexamination, which allows a potential challenger to wait and see which patents may be asserted. The House has also proposed an automatic stay of litigation if the lawsuit is filed on or after the date of filing a petition for post-grant review.¹⁰

The other option, *inter partes* review, can be pursued any time (during the life of the patent) after the later of: the time

⁶ Senate Act at § 321(c).

⁷ House Bill at § 321(c).

⁸ Senate Act at § 325(a); House Bill at § 325(a).

⁹ See, e.g., Senate Act at § 325(e).

¹⁰ House Bill at § 325(a)(2).

Article.

window for filing a post-grant review petition, or after termination of any post-grant review proceeding.¹¹ Similar to the current estoppel provisions under 35 U.S.C. §§ 314 and 315, a final decision of validity in an *inter partes* review generally may not be challenged in a subsequent *inter partes* review or civil suit.¹² However, unlike current reexamination procedures, *inter partes* review cannot be initiated by a petitioner who has filed a civil suit challenging the validity of the patent (for example, in a declaratory judgment action).¹³ Moreover, under the Senate's proposal, a petitioner would be precluded from requesting *inter partes* review more than six months after being served with a complaint for infringement.¹⁴ Similarly, the House proposal precludes petitioning more than nine months after service.¹⁵ (*Markman* claim construction briefing usually takes place after that time.) Thus, the petitioner would only have six (or nine) months in which to find, analyze, and select prior art, and prepare an *inter partes* petition. As a result, the proposed legislation imposes new timing restrictions that would restrict a petitioner's flexibility in instituting a concurrent challenge.

SCOPE OF REVIEW

Post-grant review can be initiated under nearly any invalidity defense, namely 35 U.S.C. §§ 101, 102, 103, or 112.¹⁶ In contrast, the proposed *inter partes* procedures limit invalidity challenges to §§ 102 and 103, based only on patents or printed publications.¹⁷ This is similar to the current scope of restrictions on *inter partes* reexamination.¹⁸ Thus, post-grant review expands a challenger's opportunity to attack patent validity with arguments that were previously off-limits, including evidence of prior sale, prior use, and public knowledge under 35 U.S.C. § 102.

BURDEN OF PROOF

Under both the Senate and the House proposals, a petition for post-grant review may be granted if the evidence demonstrates that "it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable."¹⁹

Both the Senate and the House propose a similar preponderance of the evidence standard for *inter partes* review. Specifically, *inter partes* review may be initiated if "there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition."²⁰

These similar standards would impose a significantly higher burden than the current standard, which only requires that the submitted evidence raise a substantial new question of patentability, i.e., one that is important to the patentability of at least one claim.²¹ The increased burden of proof could have a dramatic impact on the 95% request grant rate currently

¹¹ Senate Act at § 311(c); House Bill at § 311(c).

¹² Senate Act at § 315(e); House Bill at § 315(e).

¹³ Senate Act at § 315(a); House Bill at § 315(a).

¹⁴ Senate Act at § 315(b).

¹⁵ House Bill at § 315(b).

¹⁶ Senate Act at § 321(b); House Bill at § 321(b).

¹⁷ 37 C.F.R. § 1.906.

¹⁸ 35 U.S.C. § 312; MPEP 2616.

¹⁹ Senate Act at § 324(a); House Bill at § 324(a).

²⁰ Senate Act at § 314(a); House Bill at § 314(a).

²¹ 35 U.S.C. §§ 312, 313; MPEP 2642.

Article.

enjoyed by third-party requesters.²²

In order to invalidate a patent claim under either the Senate or the House version of post-grant review and *inter partes* review, the petitioner has the burden of proving unpatentability by a preponderance of the evidence.²³ This standard is the same as under current reexamination procedures, and is generally more favorable to the petitioner than the “clear and convincing” burden-of-proof standard used in the courts.

PROCEEDINGS AND PATENT OWNER OPPORTUNITY TO AMEND

The proceedings for post-grant and *inter partes* review are closely related under both the Senate and House proposals. Under both post-grant and *inter partes* review, each party would have a somewhat limited opportunity to present its case. Under the House and Senate versions of post-grant and *inter partes* review, the petitioner would have one opportunity to submit arguments and supporting evidence when filing the initial petition.²⁴ The Senate’s proposal is silent regarding whether the petitioner would have a statutory right to submit comments each time a patent owner provides a substantive response. However, the House version of *inter partes* review includes a provision that provides the petitioner at least one opportunity to file written comments.²⁵ Both the Senate and House versions of post-grant and *inter partes* review authorize the Director to establish procedures to allow for the submission of supplemental information.²⁶ These provisions might enable the Director to establish a procedure allowing the petitioner to reply to new claims or arguments raised in the patent owner’s response.

Both the Senate and House versions of post-grant and *inter partes* review allow the patent owner one motion either to amend the patent, cancel a challenged claim, or propose a “reasonable number” of substitute claims.²⁷ The proposals are a significant departure from the current *inter partes* reexamination procedure, which allows for at least two patent owner responses and places no explicit limit on the number of claims that the patent owner can add by amendment.

As with the current *inter partes* reexamination, the proposed legislation does not provide for interviews or other *ex parte* communications in either post-grant or *inter partes* review. However, both the Senate and House versions of post-grant and *inter partes* review grant either party the right to an oral hearing.²⁸ The proposed procedures also allow the Director to join as a party any person who has filed a petition warranting review.²⁹ This could be used to force multiple petitioners to participate in a single proceeding. It is not clear from the proposed legislation how a multiparty procedure would be conducted to enable each party to present its case.

ADDITIONAL PROVISIONS

Unlike the current *inter partes* procedure, both the Senate and House versions of post-grant and *inter partes* review

²² http://www.uspto.gov/patents/stats/IP_quarterly_report_Dec_2010.pdf.

²³ Senate Act at §§ 316(e), 326(e); House Bill at §§ 316(e), 326(e).

²⁴ Senate Act at §§ 312, 322; House Bill at §§ 312, 322.

²⁵ House Bill at § 316(f).

²⁶ Senate Act at §§ 316(a)(3), 326(a)(3); House Bill at §§ 316(a)(3), 326(a)(3).

²⁷ Senate Act at §§ 316(a)(9)-(10), 326(a)(8)-(9); House Bill at §§ 316(a)(9)-(10), 326(a)(8)-(9).

²⁸ Senate Act at §§ 316(a)(11), 326(a)(10); House Bill at §§ 316(a)(11), 326(a)(10).

²⁹ Senate Act at §§ 315(c), 325(c); House Bill at §§ 315(c), 325(c).

Article.

account for settlement between the parties.³⁰ A proceeding can be terminated with a joint request from both parties, as long as the Office has not decided the merits of the case.³¹ If the proceedings are terminated, the petitioner would not be estopped from bringing a subsequent invalidity challenge.³²

APPEAL

The proposed legislation eliminates the ability to appeal *inter partes* decisions to the Board of Patent Appeals and Interferences. Instead, final decisions in post-grant and *inter partes* reviews would be appealed from the PTAB directly to the Federal Circuit.³³

CLOSING

In sum, the proposed legislation provides a mixed bag of advantages and disadvantages for practitioners. The proposed post-grant review expands the scope of the validity challenge to include grounds previously unavailable during reexamination. For both types of review, the proposals appear to reduce the number of rounds of substantive filings and allow for an oral hearing, presumably expediting the proceedings. In the same vein, the proposals also set a time limit for the PTO to complete the review. To the petitioner's disadvantage, the proposals raise the standard for initiation of a review proceeding, and impose strict time limits on when petitions can be filed.

As a next step, the House and the Senate presumably need to fashion a compromise. The bills include provisions concerning issues relating not only to post-grant review, but also to more controversial topics such as first-to-file. Competing interests will no doubt lobby Congress heavily. Thus, passage of the bill, in whatever form, is not guaranteed. Assuming a bill is enacted, its full effect would not be known, of course, until the Director issues corresponding regulations.

³⁰ Senate Act at §§ 317, 327; House Bill at §§ 317, 327.

³¹ Senate Act at §§ 317(a), 327(a); House Bill at §§ 317(a), 327(a).

³² Senate Act at §§ 317(a), 327(a); House Bill at §§ 317(a), 327(a).

³³ Senate Act at § 141; House Bill at § 141.

Article.

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