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**NAVIGATING *INTER PARTES* REEXAMINATION:  
CHARTING A NEW COURSE**

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## **NAVIGATING *INTER PARTES* REEXAMINATION: CHARTING A NEW COURSE<sup>1</sup>**

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Originally conceived as a vehicle for resolving patent validity issues that would be better, faster, and cheaper than litigation in District Court, *inter partes* reexamination proceedings were first available in late 1999. Since that time, 808 requests for *inter partes* reexamination have been filed.

During that period, the procedures and personnel in the Patent and Trademark Office assigned to handle reexamination proceedings have changed significantly. Initially, all reexamination proceedings – *ex parte* and *inter partes* – were handled in the Technology Centers in which the involved patents were examined. That arrangement led to a host of difficulties in terms of administration and substantive treatment of the requests. In 2005, the Central Reexamination Unit was created as a means of dealing with these special proceedings. Clearly, having a specially-selected group of examiners dedicated to handling reexamination cases held – and holds – the promise of quicker, more orderly, and higher quality proceedings.

Have *inter partes* reexamination proceedings lived up to their expectations? Have procedural and personnel changes made a significant impact in the quality and speed of the process? To answer those questions, we need to 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.

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<sup>1</sup> Adapted from Hart, *A True Litigation Alternative: Has The Patent And Trademark Office Delivered?*, *Intellectual Property Today*, Vol. 16, No.9 (September 2009)

<sup>2</sup> 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.

### ***The Rising 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 – especially defendants in infringement suits – 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 258 in fiscal year 2009. The trend of increased filings appears to be continuing, with 74 filings in the first fiscal quarter of 2010.

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

### ***The Need For Speed***

Current statistics for ***concluded*** inter partes reexamination proceedings since November 29, 1999, 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. Moreover, the reported "Average Months To Inter Partes Certificate" for FY 2009 was 41.7 months.<sup>3</sup>

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<sup>3</sup> [http://www.uspto.gov/patents/stats/Reexam\\_Operations\\_December\\_09.pdf](http://www.uspto.gov/patents/stats/Reexam_Operations_December_09.pdf).

Putting the data on pendency into context are these particulars: (1) 808 requests have been filed since November 29, 1999, (2) 699 decisions on those requests have been made, and (3) only 134 requests have resulted in the issuance of a reexamination certificate. Thus, the reported average pendency times represent less than 20% of all requests filed.

Even an optimistic pendency time in the reported range 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 view of 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.”

As of this writing, there have been no decisions from the Federal Circuit on appeal from a decision of the Board of Patent Appeals and Interferences in an inter partes reexamination proceeding. The very first such appeal was docketed in mid-2009, but it has in the meantime been voluntarily dismissed.<sup>4</sup>

The headline of a recent online news report, “Speedier USPTO Could Mean More Stays For Reexam”, seemed at first to offer optimism that inter partes reexamination proceedings had measurably quickened.<sup>5</sup> According to the report:

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<sup>4</sup> *Cooper Cameron Corp. v. SAFOCO, Inc.*, Nos. 2009-1435, 2009-1459

<sup>5</sup> <http://www.law360.com/articles/143422>.

A new study released exclusively to Law360 shows that the agency's Central Reexamination Unit is getting quicker at handling adversarial re-examinations and indicates that future progress will be made in that area.

A closer reading of the report and a review of the underlying study<sup>6</sup> revealed that, though the pendency times of inter partes reexamination proceedings were, according to the methodology of the study's authors, on the decline. Yet the most positive statement in the study was that "there is evidence that positive change has been occurring" in terms of pendency.

But delay is not the only concern.

### ***(Very) Low Threshold For "Substantial New Question Of Patentability"***

The statistics available as of December 31, 2009, show that of all requests for inter partes reexamination filed since the proceeding became available, 96 percent have been granted.<sup>7</sup> Those data point quite clearly to the fact that the current threshold for showing a "substantial new question of patentability"<sup>8</sup> is quite low, a fact well known to weigh heavily in a litigant's decision to request reexamination for tactical purposes. That, in turn, has led some to comment that reexamination proceedings in general are a too-convenient vehicle for harassment of patent owners.

### ***Failure To Quickly Set The Course***

Under the current scheme, inter partes reexamination proceedings are (like ex parte reexamination proceedings) handled first at the Central Reexamination Unit ("CRU"),

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<sup>6</sup> Smith et al., *RECENT PERFORMANCE OF THE CENTRAL REEXAMINATION UNIT IN INTER PARTES REEXAMINATION*, [http://www.foley.com/files/tbl\\_s31Publications/FileUpload137/6778/CENTRALREEXAMINATION.pdf](http://www.foley.com/files/tbl_s31Publications/FileUpload137/6778/CENTRALREEXAMINATION.pdf) .

<sup>7</sup> <http://www.uspto.gov/web/patents/cru.html>

<sup>8</sup> See M.P.E.P. § 2242

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. Those new issues frequently set 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. Indeed, it’s a rare Examiner that has the training and experience typical of decision-makers in contested proceedings.

So are Administrative Patent Judges 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 Order<sup>9</sup> 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, could the inter partes reexamination proceeding 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.”<sup>10</sup>

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

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<sup>9</sup> [www.uspto.gov/go/dcom/bpai/Standing-Order.pdf](http://www.uspto.gov/go/dcom/bpai/Standing-Order.pdf)

<sup>10</sup> *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.*

governing present-day interferences at the Trial Division of the Board.<sup>11</sup> More than ten years' experience in utilizing such procedures has resulted in vastly reduced pendency of interferences, offering reason for optimism that procedural changes could provide equivalent benefits in inter partes reexamination proceedings.

### ***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 properly be applied to this sort of administrative proceeding).

### ***Step 1 – The Request (And A Motion)***

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<sup>11</sup> See Hart, *Post-Grant Review: Interference Procedure Retooled*, <http://www.law360.com/articles/94759> (April 7, 2009)



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 interference<sup>12</sup>. 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 cases<sup>13</sup>. So,

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<sup>12</sup> See Standing Order, Appendix – Form 3.

<sup>13</sup> See 37 C.F.R. § 41.152

unlike submissions in an examination setting, documents and declaration testimony would need to have a foundation established and a showing of relevance as the basis for admissibility. Documents would also need authentication as required by the FRE. An open issue – one likely to 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 proceeding 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,

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including those arising under 35 U.S.C. § 112, would of course require action by Congress.