

Suggestions for Improving the Rules for Inter Partes Reexaminations: Another Look

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The Inter Partes Reexamination (IPR) process was passed as part of the American Inventors Protection Act of 1999. Its aim was to provide a less-expensive alternative to patent litigation for contesting the validity of issued U.S. patents.¹ After almost a decade of relatively limited use² and very lengthy processing delays,³ the promises offered by IPR have fallen short. Now, if the Patent Reform Act of 2010 has its way, the IPR process will become a relic of the past, replaced by a new inter partes review run by a panel of Administrative Panel Judges (APJs), which parallels the post grant review and is likely to emulate the current interference process with a one-year statutory deadline for completion.⁴ In many respects the new inter partes review adopts some of the suggestions for improving the IPR process that the author proposed in a prior article and brings the new review process closer to the post grant process found in other countries.⁵ Assuming this comes to pass, there will still be a backlog of IPR cases that need to be resolved.⁶ This article examines some of changes to the current IPR process that could still be made by rule to help improve the handling of cases under the current statutory IPR process.

I. Problems with the Existing IPR Process

Most of the challenges with the current IPR process stem from the back-end of the process—after the Patent Office has determined whether to initiate the reexamination. By statute, the US Patent and Trademark Office (USPTO) must complete the front-end of the IPR process within three months of the date of a third party request for reexamination.⁷ Procedures are in place for this first stage under which about 98% of all requests are acted upon by the three-month deadline.⁸ While the remainder of the IPR process is supposed to be completed with “special dispatch,”⁹ experience has shown that the process grinds to a slow crawl after the front-end is completed and an initial Office Action is generated in response to the request. On average, there is a delay of at least 450 days between the filing of responses to the initial Office Action by the

¹ Pub. L. No. 106-113, 113 Stat. 1501A-570 (codified as amended at 35 U.S.C. §§ 311–18 (2000)).

² Less than 800 requests for inter partes reexamination were submitted by the end of fiscal year 2009. Statistical Summary of Inter Partes Reexaminations (Nov. 1, 2009) (unpublished spreadsheet on file with author).

³ IPR pendency time, as measured from the date that an appeal is filed, to the date that the Board of Patent Appeals and Interferences (BPAI) issues a ruling, has continued to average more than 5 years. *Id.*

⁴ S. 515 (as amended), March 5, 2010, Sec. 5(a), §§ 311-329.

⁵ “Polishing a Diamond in the Rough: Suggestions for Improving Inter Partes Reexaminations,” *Journal of the Patent and Trademark Office Society*, June 2009.

⁶ *See*, S. 515 (as amended), March 5, 2010, Sec. 5(c), regarding transition to new inter partes review effective one year after the date of enactment.

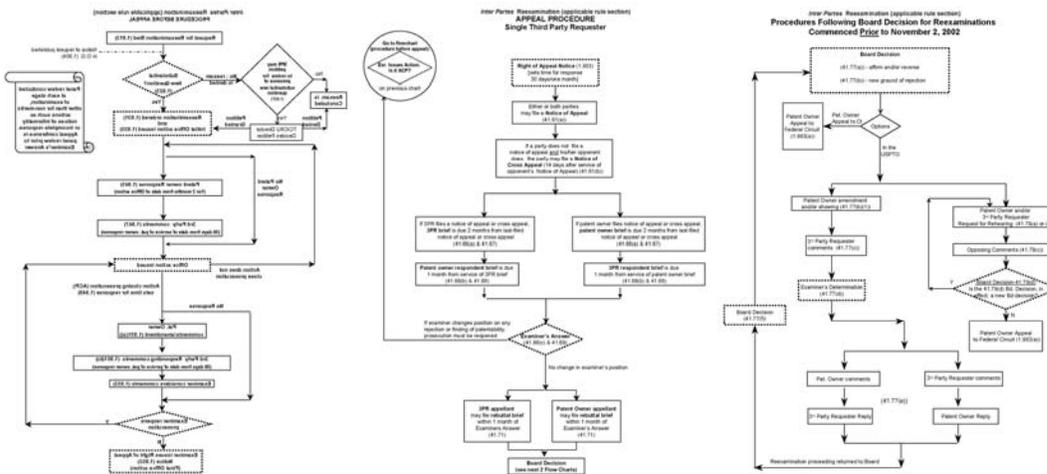
⁷ 35 U.S.C. § 312(a) (2000).

⁸ *See* Statistical Summary of Inter Partes Reexaminations, *supra* note 2.

⁹ 35 U.S.C. § 314(c) (2000).

patent owner and third party requester and the generation of a second Office Action by the USPTO.¹⁰

Although the Patent Office has implemented internal changes to centralize the processing of requests for reexamination,¹¹ many of the delays in the back-end of the examiner-conducted portion of the IPR process are inherent in the challenge of trying to fit a square peg (an inter partes contested matter) into a round hole (the conventional ex parte process of patent examination). Examiners generally are not well prepared to manage the various complex issues that can arise in a contested matter between competing parties. Coupled with the pressures of continually having to meet the three-month statutory deadline for completing the front-end of the IPR process for newly filed requests, it is easy to understand why the back-end of the IPR process suffers. Delays in the back-end of the examiner-conducted portion of the IPR process are compounded by multiple, complex re-entry paths and petitions that provide the parties with a seemingly endless maze of opportunities to string along the IPR process without appeal.¹²



II. Proposed Rule Changes for the IPR Process

The recent rule changes to interference proceedings¹³ have demonstrated that a more streamlined and well-managed process, implemented through rule changes alone, can dramatically reduce

¹⁰ See Statistical Summary of Inter Partes Reexaminations, *supra* note 2.

¹¹ See, e.g., Revisions and Technical Corrections Affecting Requirements for Ex Parte and Inter Partes Reexamination, 71 Fed. Reg. 16,072, 16,073 (Mar. 30, 2006) (“Recently, [the USPTO] initiated a program to process and examine all new reexamination proceedings in one Central Reexamination Unit (the CRU).”).

¹² The first few pages of the multi-page Patent Office process flowchart documenting how an inter partes case is routed through a Byzantine series of hoops in order to finally place the case in condition for appeal are reproduced here to demonstrate the complex nature of the current process. U.S. PATENT & TRADEMARK OFFICE, *supra* note at 2601.01.

¹³ See Simplification of Certain Requirements in Patent Interference Practice 65 Fed. Reg. 56,792 (Sept. 20, 2000); Rules of Practice Before the Board of Patent Appeals and Interferences 69 Fed. Reg. 49,959 (Aug. 12, 2004) (codified at 37 C.F.R. pt. 41).

delays and decrease backlogs at the USPTO and Board of Patent Appeals and Interferences (BPAI).¹⁴

Outlined below are several suggestions for how the IPR process might be modified through process and/or rule changes to make it more efficient. The central focus of these suggestions is to bring the assistance of an APJ and/or patent attorneys from the contested matters group of the BPAI into the IPR process to handle issues arising from the contested nature of the process, and to drive the examiner-conducted portion of the IPR process to a quicker and more focused conclusion.¹⁵

While the statutory authority for the IPR process outlines an initial examination conducted by an examiner that is then subject to appeal,¹⁶ the author's suggested changes would create a defined default process for the back-end of the examiner-conducted portion of the IPR process as a way to make it as efficient as the front-end of the IPR process. Instead of trying to have the CRU examiner conduct a typical examination where there may be numerous rounds of amendments and responses, the defined default examination procedure would concentrate on getting each IPR case to a point where it is ready for appeal as quickly as possible. The default would normally be a first office action followed by a second office action, which would be an Action Closing Prosecution (ACP), after receiving one round of submissions from the patent owner and the Third Party Request. Exceptions to such a default examination process would only be permitted by petition practice that would be handled by an APJ and/or patent attorney from the BPAI.¹⁷ The goal of the default examination process would be to force the parties and the CRU examiner to place the IPR case in condition to be handled as a contested matter case by the BPAI, should either party elect to appeal the result of the default IPR examination process. The primary benefits of these suggested changes would be (1) quicker disposition of the examiner-conducted portion of the IPR process for those cases where there isn't any appeal or contested nature to the case, and (2) quicker transition to a true contested case forum in those cases where there truly is a contested case.

¹⁴ Bruce H. Stoner, Jr., Intellectual Property Owners Education Foundation, *The Black Hole of Interferences, Ten Years Later*, in *PATENT INTERFERENCES RULES & PRACTICE CONFERENCE 3-4* (2008) (raw data, available at <http://www.uspto.gov/web/offices/dcom/bpai/docs/process/index.htm>).

¹⁵ While assigning an APJ and/or patent attorney from the BPAI to assist in managing the contested parts of an IPR process will represent an increased workload on the BPAI, both the decrease in the number of interferences and the anticipated hiring of additional APJs and patent attorneys should be adequate to handle the pending IPRs. See IPO 2008 Patent Interference Conference – December 2, 2008, “State of the Board – Fiscal Year 2008,” presentation by Chief Judge Michael Fleming.

¹⁶ See, *supra* notes 7-8 and 11. Some have suggested that the entire IPR process may be better handled by the BPAI. See discussions at the AIPLA Interference Committee meeting, January 29, 2009. However, it would appear that the current statutory authority for the IPR process would not permit a whole-scale transfer of authority for the IPR process to the BPAI without legislative action. While this may ultimately be a better solution, the proposed suggestions are meant to accomplish as much of this goal as possible within the current statutory framework.

¹⁷ Some have wondered whether the use of an APJ or patent attorney from the BPAI might implicate issues with respect to the appointment of Article I judges. See discussions at the AIPLA Interference Committee meeting, January 29, 2009. The author's suggestions attempt to address these concerns by limiting the pre-appeal involvement of the APJ or patent attorney from the BPAI in the examiner conducted portion of the IPR process solely to deciding motions for waiver and/or exceptions to what would be the default examination process. As a practical matter, it may be most efficient to utilize a BPAI patent attorney, instead of an APJ.

For those familiar with interference practice, it will be apparent that the suggested changes attempt to bring a similar kind of management/timetable approach to the IPR process. Currently, interferences are initially evaluated by an examiner and interference patent specialist at the USPTO in response to a request for interference. If the requirements for suggesting an interference are met, the case is transferred to the BPAI to declare the interference and handle the contested portion of the interference, pursuant to a well-defined contested matter process governed by the Standing Order. The advantage of this kind of approach is that it brings the certainty and timing of a standard procedure to the process, while still allowing for the possibility of making accommodations to the standing procedures in the event of exceptional circumstances or cases.

The author's following suggestions contemplate rule changes that would create something like a first Standing Prosecution Procedure for the examiner-conducted portion of the IPR process and a second Standing IPR Appeal Order for the BPAI- conducted contested matter portion of the IPR process.

A. Require Entirely Electronic Filing and Reporting

Require all participants in the IPR process, including the USPTO, to utilize electronic filing and reporting via a dedicated website. The entire IPR process, including publishing of the Notice of Intent to Issue Reexamination Certificate, could be carried out with the utilization of the website.¹⁸ Currently, it is common practice for the patent owner to utilize service by mail in order to “eat into” the time period the requester has to respond.

B. Promulgate a Standing Prosecution Procedure Guideline for CRU Examiners

A Standing Prosecution Procedure would give the CRU examiner clear guidelines as to the scope of his/her role in the examiner-conducted portion of the IPR process, which should be to focus on examination tasks, rather than acting as a judge or decision maker for contested matters between the parties. The focus for the CRU examiner should be independent examination, not making a decision between the two positions advocated by the requester and the patent owner.

C. Assign an APJ to each IPR to Handle All Petitions/Motions

Upon issuance of the First Office Action, an APJ/patent attorney team from the BPAI would be appointed to assist the CRU examiner with each inter partes reexamination. All contested matters or exceptions to the Standing Prosecution Procedure would be handled by motion/petition practice. The appointed APJ/patent attorney would be responsible for managing and deciding all such inter partes and procedural issues involved with a case during the examiner-conducted portion of the IPR by way of motion/petition practice, instead of permitting petitions under Rule 181 or Rule 183 as is currently allowed in inter partes reexaminations. Unlike current petition practice, the timelines for filing responses to petitions should be shortened to 15 days and the petitions should have a page limit that can be exceeded only by a request to the appointed APJ/patent attorney.

¹⁸ This proposed procedural change was the excellent suggestion of Hal Wenger in his article: 10 Steps to Reform Inter Partes Reexamination. Peter Zura's 271 Patent Blog, *supra* note.

D. Encourage Early ACPs

The goal of the process under the Standing Prosecution Procedure should be for the Second Office Action on a case to be an Action Closing Prosecution (ACP) and the CRU examiner should be encouraged to issue the ACP within no more than three months of receipt of the third party requester comments on the First Office Action, unless otherwise directed pursuant to decisions on motions/petitions handled by the appointed APJ/patent attorney. One temporary staffing suggestion for facilitating this kind of timeline might be to exclusively devote a certain number of CRU examiners to inter partes reexamination cases to remove the pressure inherent in the statutory 3 month response to requests in the greater number of ex parte reexamination cases.

E. Revamp the format of the First Office Action and ACP

The Standing Prosecution Procedure should specify a format of both the First Office Action and the ACP should be such that, for each ground of rejection, findings of facts are followed by arguments/decisions by the CRU examiner along the lines of new appeal rules regarding the format of briefs to be filed with the BPAI. In particular, the Standing Prosecution Procedure should have the CRU examiner avoid the unnecessary and time-consuming process of summarizing the arguments of both the requester and the patent owner in each response.

F. Combine the ACP and RAN

To shorten the time an IPR case is within the CRU prior to appeal, the Standing Prosecution Procedure should provide a default that the Right of Appeal Notice (RAN) should be issued together with the ACP in order to more quickly force the parties to decide whether to allow a reexamination certificate to issue or to move the case from the CRU examiner to the BPAI. By statute, appeal in an inter partes reexamination only requires that a claim under reexamination be finally rejected for the owner to appeal,¹⁹ and similarly, a requester can appeal any final decision favorable to patentability.²⁰ Any request to reopen/reenter prosecution after the combined ACP/RAN would be permitted only as a petition/motion ruled upon by the appointed APJ/patent attorney. In this option, the ACP and the RAN would be issued at the same time. If either party files a notice of appeal within 30 days, then jurisdiction of the case would be transferred to the BPAI without either side filing any further responses or papers within the CRU. All further filings would then be governed by the proposed Standing IPR Appeal Order and could be handled more like the motion list and practice approach that is used with interferences. The advantage of this approach for a combined ACP/RAN would be to force an earlier decision by the parties on whether one side or the other will effectively abandon the IPR, and, if not, to reduce the time from request of an IPR to the time at which the BPAI assumes jurisdiction over the case.

G. Transfer Jurisdiction of Appealed Cases Early and Without an Examiner Answer

If either party elects to appeal the ACP, then the IPR process would become a contested matter at the BPAI to be handled pursuant to a Standing IPR Appeal Order. Appeals could still be governed by existing Section 41.60 et. seq. except that Section 41.69 should

¹⁹ 35 U.S.C. § 134(b) (2000).

²⁰ 35 U.S.C. § 134(c) (2000).

be eliminated as there would be no answer from the CRU examiner. Unlike an ex parte case where the examiner's answer serves as the counterpoint to focus the issues for appeal, in an inter partes proceeding there already are two parties each advocating opposed positions that will make for a more conventional appeal. Whether there are procedures for submission of additional evidence, motion practice and the like can all be considered as part of the adoption of the rules and Standing IPR Appeal Order.²¹ Like the Standing Order for interference practice, the proposed Standing IPR Appeal Order would establish the procedures and timelines for bringing the appeal to conclusion in a well-defined time period.

H. Use Standing Order to Handle Multiple Cases and Petition/Motion Practice

Ideally, the IPR Standing Appeal Order would be to provide for a motions list procedure once a case has advanced to the contested matter stage at the BPAI in order to reduce the opportunity/incentive for filing multiple ex parte and inter partes requests for reexamination.²² The motions practice procedure could also be used to handle/review previous decisions on motions.

I. Limit Remands

Whether there is an opportunity/need to reopen prosecution upon a remand from the Board is a matter that should be considered in establishing the proposed Standing IPR Appeal Order.²³ As a contested matter, it may be better for the BPAI to retain jurisdiction and not utilize the remand process.²⁴

The proposed changes outlined above are intended to be implemented by Rule Change issued by the USPTO without the need for any statutory changes, as the rules would be limited in scope to procedural issues and are not intended to create any changes in the substantive rights of the parties in an IPR process.

It will be apparent that special accommodations will need to be put in place for migrating the currently pending Inter Partes Reexams to the standing procedures contemplated by these proposed changes. One suggestion for this transition period would be to assign a designated APJ/patent attorney from the BPAI to each pending case and then permit that person to create a modified procedure based on a new Standing Prosecution Procedure that would be customized to the current state of the given case.

III. Statutory Interpretation

Additional rule changes relating to statutory interpretation might also be made to improve the efficiency and certainty of the IPR process. Some of these changes might include:

- A. Promulgating rule interpretations relating to 35 USC 314(a). While reexamination is permitted under the statutory provisions governing initial examination, the rules can

²¹ For example, Sections 41.69 and 41.73 may need to be amended to permit a rebuttal brief only for the appellant and to tie the timing of oral arguments to the submission of any reply brief

²² See, discussions at the AIPLA Interference Committee meeting, January 29, 2009.

²³ See, [appeal of xxx] for whether the BPAI in an ex parte context is entitled to make a new grounds of rejection or should be required to remand an ex parte case for further findings by an Examiner.

²⁴ If remands are permitted, they should be concluded under Section 41.77(d) within a defined period of the requester's response and with the assistance of the designated APJ/patent attorney.

be amended to provide for a presumption that amendments by the patent owner to claims shall be limited to the first patent owner response unless otherwise approved by petition/motion ruled upon by the designated APJ.

- B. Promulgating rule interpretations related to 35 USC 314(b)(2). While an appeal to the BPAI cannot occur until there is a final action (ACP) by an examiner, the rules can be amended such that, unless otherwise approved as an exceptional case by petition/motion ruled upon by the designated APJ, the second action by the PTO shall be a final action by the examiner and no further amendments to the claims, other than canceling claims and rewriting dependent claims as independent claims shall be permitted.
- C. Promulgating rules that permit both the patent owner and the third party to introduce additional evidence and arguments after the final action by the examiner to enable the BPAI to satisfy the obligation under the APA to permit the consideration of rebuttal evidence.²⁵ This would counterbalance the drive toward an earlier conclusion of the proceeding and ameliorate potential issues with the inability to submit additional rebuttal evidence as part of an appeal in those cases which are contested to appeal.

IV. Inter Partes Reexaminations After Enactment

Currently, in an inter partes reexamination, the USPTO orders reexamination if “a substantial new question of patentability”²⁶ is presented. However, unlike ex parte reexamination, the continued participation by the third party requester is permitted throughout the IPR process. Each time the patent owner files a response to an office action, the third party requester may file written comments addressing both the issues raised by the office action and the patent owner’s response. The third party requester is also permitted to appeal any decisions by the examiner in the IPR process.²⁷

If the Patent Reform Act of 2010 passes in its current form, the standard for initiating an inter partes reexamination will change, as of the date of enactment, from “a substantial new question of patentability” to the new standard of whether it has been shown “that there is a reasonable likelihood that the requester would prevail with respect to at least one of the claims challenged in the request.”²⁸ It is likely that the USPTO, under the authority granted to the Director, will establish new rules to regulate the initial determination of whether this new standard has been met by the request in the context of the new inter partes review.²⁹ It is suggested that for the sake of consistency, the USPTO move as quickly as possible to transition the determination of whether to initiate an inter partes reexamination from the current CRU to the Board.

Alternatively, it may be advantageous to offer current participants in the IPR process who are relatively early in the process, the option of restarting their existing IPR as a petition under the new inter partes review process. Participants could request the closing the existing IPR request

²⁵ Administrative Procedure Action, 5 U.S.C. § 556(d).

²⁶ 35 U.S.C. § 313 (2000).

²⁷ 35 U.S.C. § 134(c) (2002).

²⁸ S. 515 (as amended), March 5, 2010, Sec. 5(c)(3)(A) and (B).

²⁹ S. 515 (as amended), March 5, 2010, Sec. 5(a), § 316(a).

without prejudice to either party to be re-filed as an inter partes review petition, with the IPR request fees being applied to the fees due under the new inter partes review process.

V. Conclusion

If the Patent Reform Act of 2011 passes in its current form, the current IPR process will need to wind up or transition the processing of existing IPR cases. If Patent Reform does not pass, the current IPR process needs to be made a more efficient, predictable and definitive alternative to litigation. Modifications to the rules that govern the IPR process in order to bring the assistance of the BPAI into the examiner-conducted portion of the IPR process to handle issues arising from the contested nature of the process and to drive the IPR process to an earlier conclusion can achieve many of the advantages of a post grant review system, and can do so within the current statutory framework for inter partes reexaminations.

About the Author

Brad Pedersen is a partner with Patterson, Thuente, Skaar & Christensen. He concentrates his practice in the areas of high-technology, computer, software and medical device patent prosecution strategy, licensing and litigation. He provides clients with practical and pragmatic advice on the development, management and enforcement of IP portfolios, based on his wide range of experiences. Brad has more than 25 years of experience in IP law and is a named inventor on six issued U.S. patents and a dozen pending applications on technologies ranging from medical devices to unmanned aircraft. As an inventor, entrepreneur and former in-house counsel, he has a real-world foundation from which to create effective IP portfolios and strategies. Brad is one of the more knowledgeable IP attorneys in the U.S. when it comes to the recent patent reform movement. He actively follows the developments occurring at the agency, legislative and judicial levels, and educates clients and colleagues by writing and presenting on the imminent changes and strategies for dealing with the reforms.