

To: Interpartesreexam@USPTO.GOV
Date: February 13, 2004
Re: *Inter partes* Reexamination Roundtable

These comments represent an amalgamation of our own thoughts and those of our client, the Xerox Corporation.

Summary of Comments

Although there are many troubling issues regarding *inter partes* reexaminations worth discussing, in the interest of time, I will focus on the inequitable, dangerously overbroad, and fatally ambiguous estoppel provisions of 35 U.S.C. §§ 315(c)¹ and 317(b)² and the inequitable timing provisions of 37 C.F.R. §1.947.

In view of the escalating amount of prior art literature, the extremely limited time available to patent examiners to examine patent applications, and the increasing complexity of technologies, it is not surprising that a substantial percentage of issued patents have invalid claims. Moreover, in view of the serious problem in the patent field, wherein patent infringement litigation is sometimes conducted, or just threatened, on invalid patents against large numbers of companies, including many small businesses that cannot financially afford to defend their business in a patent litigation, those patents with invalid claims will remain presumptively valid.

Clearly, there is a significant need for a fair, cost-efficient, and effective system whereby invalid patents can be challenged. It is respectfully submitted that the current *inter partes* reexamination is not such a system.

The most restrictive aspect of an *inter partes* reexamination is the dangerously overbroad and fatally ambiguous estoppel provisions which discourage greater use of *inter partes* reexaminations. The estoppel provisions against the third party requesting *inter partes* reexamination are not limited to issues actually raised or considered during the proceeding. Rather, estoppel extends to any subsequent civil proceeding or reexamination even when the third-party requester attempts to present *other prior art* as a defense. These provisions defeat the intended purpose of the *inter partes* reexamination system to provide an equitable and cost-

¹ 35 U.S.C. §315(c) - "A third-party requester . . . is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the *inter partes* reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings."

² 35 U.S.C. §317(b) - "Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an *inter partes* reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or *inter partes* reexamination proceeding. . . . This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings."

efficient, yet effective, administrative alternative to a very expensive and lengthy litigation teeming with uncertainties and risks.³

More specifically, the limitations of 35 U.S.C. §§315(c) and 317(b) estop the third-party requester from raising issues that the requester "raised or could have raised." The presence of the term "raised" is necessary to avoid relitigating prior art issues already decided. However, what does the phrase "could have raised" mean? How extensive does a prior art search need to be to avoid the "could have raised" estoppel or to meet the accompanying statutory exception that a prior art issue could not have been raised if the prior art was "unavailable" to the requester and to the USPTO? The USPTO's position on the matter can be found in the *Official Gazette* 1234:97 (May 23, 2000), wherein the Office opined that, "[t]he question of whether an issue could have been raised must be decided on a case-by-case basis, evaluating all the facts and circumstances of each individual situation. It would not be appropriate . . . to provide an 'all encompassing' definition, that might not account for facts which could arise in the future which cannot be anticipated." Clearly, guidance from the Office is "unavailable."⁴

Moreover, the troublesome statutory language is not defined in the legislative history, although it is noted that Congress did attempt to define "unavailable" prior art, as prior art "not known to the individuals who were involved in the reexamination proceeding on behalf of the third party requester and the USPTO" (*Congressional Record* S14720 (Nov. 17, 1999)). However, this "definition" has the exact same problem. What does "not known" mean - "not known" because the prior art was unpublished at the time or "not known" because the third-party requester did not find it in a prior art search so it was "not known" to the third-party requester? If the latter, then the statutory language remains problematic because "not known" has an entirely different connotation than "unavailable." Prior art unknown to a third-party at the time of the reexamination request is not necessarily unavailable. Prior art could be available, but the third-party requester simply did not know about it. Indeed, the literal language of the statute suggests that "newly discovered," i.e., not then known, prior art is *not* necessarily unavailable by permitting later reliance only on "*newly discovered* prior art *unavailable* to the" requester and USPTO at the time of the *inter partes* reexamination.

³ The risks and uncertainties in a litigation include, for example, those stemming from explaining complex claim constructions and complex technologies to lay juries and judges, the very real possibility of reversal by the Federal Circuit (highlighted by the high reversal rate of the court), and the possibility of an injunction and/or treble damages.

⁴ See also *Federal Register* 65(236): 76764 (Dec. 7, 2000), wherein the USPTO received a comment regarding 37 CFR §1.907(b) (one of the rules related to 35 U.S.C. §317) suggesting that the phrase "or could have raised" be changed to "or had become or should have become known to [the third-party requester] upon reasonable inquiry at the time the *inter partes* reexamination was ordered." The person submitting the comment added that the phrase "'could have raised' would theoretically bar a third party from requesting a new reexamination based on any existing patent or printed publication, even those remotely located in another file of the third party." The Office responded that such a change to Rule 1.907(b) would "enlarge the scope of the statutory estoppel [of 35 U.S.C. §317]," and that, "interpretation of the statutory language is subject to statutory construction on a case-by-case basis depending on the particular facts of the individual case. . . . [T]he Office does not intend to make such a determination in each reexamination, but will rely upon the certification by the third party requester under § 1.915(b)(7) [stating that, "the estoppel provisions of § 1.907 do not prohibit the *inter partes* reexamination"]."

Guidance by the courts is also "unavailable" since no *inter partes* reexamination decision has reached the Federal Circuit, nor is one likely to any time soon.

On its face, it appears that the only issue that a third-party requester could not have raised would be a prior art issued based on "unavailable" prior art that was not yet published or had not yet issued at the time the *inter partes* reexamination was initiated. Thus, even if a requester had conducted a thorough search prior to initiating a reexamination proceeding and was unable to find a particular invalidating piece of prior art at that time, but did find it later, or someone else did, apparently the requester is estopped from challenging the validity of the patent using the newly discovered, possibly fully anticipatory, prior art. It appears that the estoppel provisions leave the entire world free to ignore an invalid U.S. patent, except for the third-party requester, who is punished by the estoppel provisions. Moreover, the third-party requester could be forced to pay royalties or be blocked entirely from business competition covered by the invalid patent claims for the entire term of the invalid patent. This is clearly inequitable.

It is clearly inequitable to require the third-party requester to make a dangerous guess as to the definitions of the terms "could have raised" and "unavailable" and as to their effects with no guidance from Congress, the courts, or even the USPTO.

The phrase "could have raised" was intended to be a safeguard to protect patent owners from repeated reexamination requests and from relitigating issues already decided by a court or the USPTO.⁵ The term "unavailable" was intended to provide the third-party requester with a loophole, in a sense, in case damaging prior art was later discovered. The goals of the language in the current statutes are understood,⁶ but the mechanisms currently in place to achieve those goals are unwieldy. Instead of providing protection to patent owners, the estoppel provisions have instilled fear into companies, such that *inter partes* reexaminations are avoided as a means to eliminate invalid patents, which, in turn, has encouraged the increasingly widespread public legal harassment with invalid patents.

In conclusion, the answer to the question, "is the existing scope of *inter partes* reexamination estoppel in 35 U.S.C. §§315(c) and 317(b) equitable," is clearly "no." It is respectfully submitted that it is vital to urge Congress to provide a fair, realistic, and unambiguous estoppel rule for

⁵ See *Congressional Record H6948* (Aug. 3, 1999), describing the "safeguards" in the *inter partes* reexamination proceeding as ensuring "that patentees, especially those of limited financial means, will not be harassed or otherwise subject to predatory tactics." See also Statement of Intellectual Property Owners President, Gary L. Griswold, before the House Judiciary Subcommittee on Courts and Intellectual Property on H.R. 1732 (Patent Reexamination Reform Act of 1995) (June 8, 1995), stating that, "[w]e support this effort to avoid duplicate litigation [in reference to the estoppel provisions], but suggest clarifying the meaning of 'could have raised.' If this term is given a broad interpretation, it may discourage some parties from using quick and inexpensive reexamination proceedings."; Statement of Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, Bruce A. Lehman, on H.R. 1732 (Patent Reexamination Reform Act of 1995) (June 8, 1995), stating that, "the bill [H.R. 1732] explicitly stops a third party from further litigating issues that were or could have been addressed during the reexamination This measure will prevent parties from using reexamination simply as a prelude to litigation on the same patent validity issue. . . . [T]he bill [also] precludes a third party from initiating . . . a second reexamination on the same issues resolved in an earlier reexamination proceeding initiated by that party or its privies."

⁶ See *Congressional Record H6947* (Aug. 3, 1999), describing the estoppel provisions and the ability of the third-party requester to participate in the *inter partes* reexamination as "fairness for everybody."

inter partes reexaminations in order to accomplish the essential goals of this reexamination system, i.e., an equitable, cost-efficient, yet effective, alternative to litigation that protects the patent owner from harassment, but also prevents the enforcement of invalid patents. More specifically, it is respectfully submitted that the estoppel provisions in *inter partes* reexaminations should be limited to issues that were *actually* raised and considered during the *inter partes* reexamination proceeding.

In addition, regarding another inequity in the current *inter partes* reexamination system, the impractical and unreasonable one-month response time limitation provided to the parties in an *inter partes* reexamination is not sufficient for the requester to effectively respond in numerous situations, such as, for example, when an expert declaration or other careful analysis and/or evidence is needed to properly respond. This is extremely important in view of the estoppel provisions noted above. For example, not only is a third party prevented from effectively responding to a patentee's arguments in response to an Office action, for example, due to the one month time limitation, but, in addition, the third party is estopped from raising that same issue in a subsequent civil action or second *inter partes* reexamination proceeding even though more time for adequately preparing a response would be available.

Additional Inter Partes Reexamination Issues

Other troubling issues regarding *inter partes* reexaminations include, but are no means limited to, the following.

* The current statutory provisions for *inter partes* reexaminations are only applicable to patents *originally* filed after November 29, 1999, i.e., the *effective filing date* must be after November 29, 1999. First, this date limitation is not consistent with *ex parte* reexamination proceedings. Second, since an *inter partes* reexamination proceeding is the only mechanism wherein a party challenging the validity of a U.S. patent can actively participate, the availability of the *inter partes* reexamination should not be so limited.

* The USPTO currently assigns *inter partes* reexamination cases to patent examiners. However, *inter partes* reexaminations are contested cases involving complex legal issues that would be more appropriately handled, or, at least supervised, by specialized personnel in a manner similar to other contested cases handled in the USPTO, e.g., administrative patent judges handle interferences (a contested case). In the absence of proper supervision, it is feared that mishandled *inter partes* reexaminations will require the Board of Patent Appeals and Interferences to reverse and remand. This would defeat the intent of the *inter partes* reexamination system to provide a speedy administrative determination. Furthermore, the USPTO current supervision of patent examiners handling reexaminations does not appear to be sufficient to ensure that the statutory requirement for a just and speedy final decision is satisfied. Is not this one change that could be accomplished without requiring a legislative amendment?

Inter Partes Reexamination Alternatives

There is simply no way that a thorough patentability determination can be cost-effectively provided for every patent, in the very limited time available to patent examiners. Thus, a better way is needed for a more thorough evaluation of, at least, the claims of the small percentage of issued patents that are actually asserted against American businesses in threatened or actual

patent litigation, or in "shake down" licensing schemes for extracting large numbers of settlements for less than the costs of litigation.⁷ These and other factors lead to the conclusion that one of the most important improvements that could be made in the United States patent system is to replace the current *inter partes* reexamination system with a low cost, efficient, and technically and legally competent USPTO administrative patent review system, at least for the validity of patents over prior art.⁸

One possible *inter partes* reexamination alternative proposed by Congress is a Board and administrative patent judge managed "opposition system." However, the opposition system as presently proposed would be limited to oppositions filed less than one year of the issue date of a patent. How could such a system possibly be of significant value when the vast majority of challenged patents are challenged more than one year after their issuance? How could such a system protect third parties from harassment by owners of invalid patents for any *future* U.S. products? The Japanese Patent Office recently replaced such a limited term opposition system with an *unlimited*-term invalidity contesting system. Perhaps, study of the basis for the Japanese Patent Office's replacement is warranted *before* attempting to put a limited term opposition system in place in the United States.

Thank you on behalf of Oliff & Berridge, PLC and The Xerox Corporation

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⁷ Some of these schemes result in the patent owner receiving a large amount of money simply based on widespread threats to put many small businesses out of business, even though the asserted patents may be invalid. The "schemers" and those accused of infringement know that it would be too costly to litigate, especially when compared to the settlements offered.

⁸ Unlike many other countries, the United States does not provide a specialized patent invalidity trial court staffed with specialized judges with technical educations to oversee post-patent validity issues.