

**DCPEP Roundtable Discussion on Reexamination Practice**  
**17 February 2004**

**Comments by Lance G. Johnson**

Thank you for allowing me to participate in the roundtable discussion today.

I was counsel of record for the first filed inter partes reexam (95/000,001) and filed that case in July 2001 on behalf of a small entity requestor who had run into a conflict over a patent with a relatively larger competitor who also happened to be a customer. (Such situations happen often in modern commerce.) It was important to my client that the patent controversy be resolved quickly, for as little as necessary, and without generating animosity between the parties. Usually, a conventional ex parte reexam would have been sufficient, but the prosecution history of the patent in controversy revealed that the examiner did not fully appreciate some inherent aspects and characteristics of the process described in the prior art process (which happened to be my client's own patent). An inter partes proceeding would allow us to provide comments and technical details that an examiner might not fully appreciate, even with a complete Request, following arguments for patentability by the Owner. The probability of litigation was remote, and we believed that we could support our case before the USPTO despite the risks of estoppel and the demands of short response periods. In short, we believed we were more likely to arrive at a correct result (technically and legally) at a desirable price with an inter partes proceeding.

Our beliefs were realized in looking at the Owner's arguments for patentability following the examiner's First Action on Reexamination. The Owner made substantially the same types of arguments made in the original prosecution. We filed Comments with a declaration by our technical expert that identified aspects of the technology that the examiner did not appear to know or appreciate. I think it is fair to say that the expert's declaration had a significant impact on the examiner as many of the details were included in his 2<sup>nd</sup> nonfinal Action.

Our reexam recently concluded in November 2003 with the cancellation or disclaimer of all issued claims. The certificate should be printed shortly. My client has prevailed and for far less cost and disruption than litigation (about \$40,000 or so, including the filing fee). The system worked, and I am optimistic that I will use it again in the right circumstances.

In my view, the relatively limited use of the current inter partes proceedings is the natural result of limitations deliberately built into the legislation and uncertainty found in unclear statutory language. Such limitations and uncertainties raise the possible costs involved for the

attorney and the client and are factored into the cost-benefit balancing process performed by patent counsel every day.

For example, the limitation of a November 1999 filing date for the patent necessarily restricts the proceedings to new patents whose technology can be commercialized quickly and whose examining art units are the fastest. Technologies that require additional development and/or regulatory approval from other agencies may just now be emerging into the market in sufficient presence to raise competitive interest.

The technologies involved with the first 36 inter partes reexams supports my hypothesis.

<u>Number of Requests</u>	<u>Technology of Patent</u>
26	Mechanical
6	Chemical
5	Electrical
1	Biotechnology

A new estoppel provision with an unclear standard of applicability also dampens the enthusiasm of the Patent Bar toward this new proceeding. Why is it that ex parte reexam Requestors are not estopped from a further request to reexamine the patent or challenge a fact in a later infringement action, but those seeking an inter partes proceeding are? How important is this in the fact set facing my client? Is the client more likely to get a fair opportunity to be heard (despite a short 30 day period to file comments) without unnecessary complications for a fair cost relative to the value at risk in an inter partes reexam or litigation? I believe that the uncertainty surrounding this new estoppel tend to tip the balance toward litigation over USPTO inter partes reexamination.

Moreover, the existing legislation has introduced a new grounds for estoppel during an already expensive judicial infringement proceeding by prohibiting reliance on references that

were “unavailable” during the reexam. Literally speaking, no document that is truly unavailable can be a prior art reference under Sections 102 or 103. The term must mean something else, but the first case to resolve that issue will spend much to do so. Even if it does refer to a “presently unknown” test (as I believe the history of legislative reports will confirm, see HR106-464), then such an intent or knowledge-based standard will raise the cost of defending against later infringement litigation by at least \$200,000 to \$400,000. Such increased costs will no doubt come back to haunt the attorney who originally advised the client to proceed with an inter partes reexam.

Moreover, the limited 30 day time period for the Requestor to submit Comments to make her best case for unpatentability and raise all issues that “could have been raised” are much worse than in a litigation. No court provides only 30 days to address fully and finally a new issue of technology or law raised by the Owner. The PTO’s short period for Comments, particularly when it does not account for mail handling delays, makes it difficult to gather, consider, and present the best evidence for the best case of unpatentability while risking absolute estoppel if something is missed. Those are pretty high stakes that make those in private practice reconsider more than once the wisdom of proceeding with an inter partes reexam.

The USPTO should also make known its commitment to the inter partes reexam proceeding. The 21<sup>st</sup> Century plan branded the inter partes reexam proceeding a failure. It is hard for the conscientious counsel to recommend an inter partes reexam proceeding, with all of the risks and limitations built into the legislation, when the Office publishes a position paper that discourages its use. Indeed, one might even argue that the case for malpractice is made easier by the announced PTO position on inter partes reexam.

The USPTO can help alleviate some of the fear and distrust that surrounds inter partes reexam. The Patent Bar is waiting for the PTO to speak and clarify the statute, the rules, and its view with an MPEP section that fleshes out the inter partes reexam proceedings. I note that the MPEP Chapter 2200 for ex parte reexam has 128 pages of really small, single spaced, double column text to flesh out the details. A chapter like this is needed for inter partes reexam.

In a new MPEP chapter, the USPTO should:

- 1) Adopt an interpretation for “unavailable” references that follows the existing Rule 56 duty of disclosure standard (“presently unknown to those involved in the proceeding”);
- 2) Expand the 30 day period to file Comments to at least 2 months from date of Owner service of any Response; and
- 3) Permit or require service by facsimile or email with confirmation copy by mail delivery that is at least as fast as First Class postal mail to reduce the likelihood of mail delays, align the USPTO procedures with systems commonly in use by most firms and businesses, and allow as much time as possible of the Comment period for the Requestor.

If the existing legislation could be amended to make the proceeding more acceptable, I would suggest the following changes:

- 1) Withdraw the November 1999 filing date restriction on those patents eligible for inter partes reexamination;
- 2) Eliminate the estoppel provisions of 35 U.S.C. 315(c); and
- 3) Allow consideration of issues under 35 U.S.C. 112, first and second paragraphs (adequacy of written description, best mode, and claim clarity). This is important for the biotechnologies and may or may not lend themselves to proof by declarations or other documentary evidence. Counsel for the Requestor can make that determination for the circumstances of the case.
- 4) Allow consideration of other defenses under 35 U.S.C. 102, including abandonment and prior public disclosure, prior sale or offer to sell.

Turning now to the “talking points” posited for discussion:

***1. Is the inter partes reexamination proceeding as currently conducted, perceived as a fair and balanced proceeding, not favoring either party (i.e., a level playing field)? Please explain.***

Yes, from what I have heard from others in the Patent Bar as well as corporate counsel.

***2. Has increased third party participation in the prosecution of an inter partes reexamination proceeding substantially contributed to better quality patentability determinations in reexamination proceedings? Please explain.***

Yes. The situation we faced in our case is a prime example. An inter partes proceeding was needed to bring out facts and details regarding the technology that were not contained in any printed reference but which were well known in the art.

***3. Are inter partes reexamination proceedings adequately controlled throughout the Office so as not to place an undue burden (e.g., cost, complexity) on the resources of: (a) the Office; (b) the third party requester; and (c) the patent owner? If not, please explain.***

Yes, I believe so.

***4. Eighteen third party requester ex parte reexamination requests are filed per month as compared to less than two inter partes reexamination requests (9 to 1 ratio). What factors do you believe influence this wide difference in choice of proceeding and why?***

Several facts are operating in parallel to discourage use of inter partes reexamination. The first and most prominent is fear and uncertainty over the existence and scope of the estoppel that

applies on the Requestor. For reasons known only to Congress, they chose to codify an estoppel in one type of reexamination proceeding rather than in both. What should we glean from such a situation? Is an inter partes proceeding now more risky and higher stakes than an ex parte reexamination? How do we inform our clients of specifically what they are giving up by pursuing an inter partes reexam? Do I risk malpractice, or a claim of one, if I cannot identify the specific details of what is within the estoppel so that a fully informed decision can be made? These are not insignificant concerns to those in the Patent Bar. The existence of an estoppel under these circumstances strongly favors the selection of an ex parte reexam, if any, and discourages an inter partes proceeding.

Additionally, the estoppel provisions use the daunting term “unavailable” without further explanation or qualification. This makes little literal sense because a document that is truly “unavailable” is not a “publication” within the meaning of Section 102 and cannot be used as a reference. Inspection of the several legislative histories leading up to the promulgated statute shows that Congress understood the term “unavailable” to mean “presently unknown” like the developed standards for inequitable conduct and the duty of disclosure under Rule 56. Unfortunately, one has to review several legislative histories to get to that definition.

The USPTO is given great deference in the interpretation of its own statutes. If you cannot or choose not to try and remove the estoppel language, at a minimum you have the opportunity to address this ambiguity directly and establish a clarification on the scope of the estoppel and the standards of conduct that are expected. I urge you to adopt the existing Rule 56 disclosure standard. The Patent Bar knows how to operate within that standard, and there are numerous decisions that clarify this standard of conduct.

A third contributing factor to the relatively low use of inter partes reexamination is the absence of a chapter in the MPEP that discusses inter partes reexamination policies and statutory interpretations (e.g., what constitutes “unavailable” prior art). It may sound trivial to those in the PTO who are fully aware of how they handle and address inter partes reexamination cases, but it is not trivial to the Patent Bar and those having to stake their client’s important matters

(and their own malpractice coverage) on a proceeding whose details are not well documented outside the Code of Federal Regulations.

Fourth, I believe that the November 1999 filing date restrictions on patents that are eligible for inter partes reexamination preclude a significant percentage of possible proceedings. Patents that would be eligible for inter partes reexamination are limited to those with: (a) art groups that have with low pendency times (a short time between filing the application and ultimate issue of the patent), and (b) technologies that can be brought to market quickly. I note that there is not necessarily a sufficiently substantial need to contest a patent openly until there is both a competitive commercial interest and an issued patent. My inspection of the first 36 inter partes reexam requests shows that 23 were in mechanical technologies, 6 were chemical, 5 were electrical, and only 1 was in biotechnology. This breakdown does seem to follow both art unit pendency times and the ease with which a new product can be brought to market.

Lastly, I believe that the 30 day period to file Comments is too short to provide the Requestor with an adequate opportunity to be fully heard on new issues that the Owner may raise in a Response. If the Requestor is serious enough to come forward and mount an open challenge to an issued patent, it is reasonable to conclude that the patent raises an important business issue. As the value of that business issue raises, counsel advising the Requestor will want greater assurances that the all relevant information is put forward so that the client is not prejudiced, and the attorney is not exposed to a malpractice claim. I believe that a 30 day period for Comments is not perceived as affording adequate time to discuss the matter with the client, gather the necessary information, and present the client's best case. This is particularly true when the facts of the case dictate the need to file Comments with a declaration that explains one or more of the finer points of the technology that may be involved in the decision for or against patentability. A two month period for Comments would be more welcome.

Additionally, recent postal mail difficulties have made it more difficult to represent that the mail will always get thru in less than three days. The Office should approve of one or more alternative service mechanisms that are less subject to handling delays (e.g., facsimile, email,

FedEx, Express Mail) or combinations thereof with confirmation copy by mail in order to encourage timely, less vulnerable service.

***5. With respect to proceedings in the Office, an attorney has four options for seeking review of a patent: (a) do nothing at this time; (b) file a 35 U.S.C. 301 prior art citation (hoping for a Director Ordered Reexamination); (c) file a request for ex parte reexamination; and (d) file a request for inter partes reexamination. What option would you recommend and why?***

In general, the “do nothing” option merely provides the patent owner with the options if the client has not yet been noticed or can readily design around the claimed invention. This happens most of the time in practice.

The chances of having a Director Ordered Reexamination is so remote, that it is not a realistic option to pursue.

Whether the recommendation is for an ex parte or inter partes reexamination is heavily dependent on: (a) the complexity of the technology (complex technologies are more likely to require additional explanation to avoid misinterpretation of the references); (b) the strength of the prior art (strong prior art may not need extensive explanation); (c) the competitive relationship between the Owner and the potential Requestor (the anonymity afforded by ex parte reexamination may outweigh the benefits of an inter partes proceeding); and (d) the size of the market for the product within the patent claims (greater financial stakes would generally favor the additional input afforded by an inter partes proceeding).

***6. What problems, if any, have you personally experienced as to the process of an inter partes reexamination proceeding?***

My situation will hopefully be a unique one. We filed the Request in July 2001. The reexam was ordered in October 2001 (just after the September 2001 terrorist bombings). The Owner's response was due in December 2001 just about the time that an anthrax-laden letter contaminated the Brentwood mail facility and forced all mail bound for Washington, D.C. offices to be quarantined and then decontaminated by irradiation. Needless to say, the Owner's Response was not received by either the USPTO or our offices within the normal 2-3 mailing delays expected with postal mail. I obtained a copy from the offices of counsel for the Owner by facsimile.

I had some confusion about the date calculations for Comments. I filed Comments in what turned out to be one day late. I learned that there is no adjustment for service by postal mail before the USPTO like there is under Rule 6(e) of the Federal Rules of Civil Procedure. Curiously, the CFR requires service of process like the FRCP but does not indicate whether or not the three day mailing delays apply. Subsequent events allowed our Comments to be entered and considered, but reliance on postal mail delivery as the sole means of service coupled with extraordinary external events that delayed mail delivery was a problem.

Our case also involved months of delays while the claim amendments were put into the proper format. Similar delays in future could be avoided by examples of suitable amendment formats in an MPEP section.

Almost a year after the Owner chose not to respond to the examiner's 2<sup>nd</sup> nonfinal Action, we are still waiting for the final Certificate to be printed so that the file can be closed. I expect (and hope) that much of the delay is due to a new type of proceeding with the requirements for new publications and inherent delays in developing the infrastructure to produce them.

***7. How have your personal experiences led you to the perception, if any, that participants of inter partes reexamination are abusing the procedure?***

In my experience, the process is not abused. A few of the cases were filed during litigation or supplemental thereto and proceeded as contemplated by the published rules.

***8. As a follow up of question 8, do you foresee any possibility for abuse of the procedure by participants in an inter partes reexamination proceeding? If so, please explain.***

No, I do not see many options for abuse of the existing process. I do note that the existing duty of disclosure applies only to the Owner and do not require a corresponding degree of candor or reference divulgation by the Requestor. Additionally, statements made by the Owner risk the formation of additional prosecution history estoppel. The Requestor runs no similar risk although Requestors do risk amendments that make the claims stronger, clarify possible infringement, and expose their knowledge of the patent. Requestors also may face an Owner who files a broadening reissue to counter an inter partes Reexam and thereby opens up an entirely new set of issues.

***9. What concerns, if any, about the current inter partes reexamination procedure would cause you, or have caused you, to recommend against filing an inter partes reexamination request?***

There are more cases where reexam is not suitable than there are cases where it is. For example, I would not recommend even an inter partes reexam if any of the following situations existed: (a) The client is relatively anonymous and chooses to remain so for one or more reasons or otherwise wants to hide their interest in the patent, (b) The controversy involves multiple patents that each pose different validity issues, (c) The best argument for avoiding the patent involves claim interpretation, (d) The better invalidity case involves public use, sale, or disclosure, (e) The arguments for invalidity raise a new or unsettled legal issue, (f) The best case for invalidity is based on obviousness, the Owner is expected to present evidence of

commercial success that has a dubious nexus to the patented technology, and the Opposer would need discovery into sales data and product characteristics that are not publicly available.

***10. Does the prosecution of inter partes reexamination proceedings need to be expedited, (e.g., one-month response periods in all instances; no extension of time for responses; no supplemental patent owner responses; rocket docket)? Please explain.***

No. The proceeding is fast enough, almost too fast, to provide effective handling and response. I would advocate that the current response period by the Owner remain at two months and, if any change is considered, that the Comments period be lengthened to two months. The current 30 day Comment period is too short when one considers postal mail handling delays, contacting the client, and formulating pertinent Comments that may or may not require the support of test results and/or a statement about the applicable technology by the Requestor.

***11. The statute sets a 30-day period (from service of copy date) for the third party requester to file comments to a patent owner response to an Office action. Do feel this period is adequate? Please explain your answer.***

No. The regular demands of both private practice and corporate research often require travel for key participants. Even if received by postal mail in a timely fashion, it can often be difficult to communicate with the client and formulate well-considered Comments in the allotted time. The process of preparing Comments becomes a “drop everything” situation. In a high stakes case, moving too fast without adequate time to gather and consider evidence in support of your position becomes ill-advised.

***12. Has the estoppel provision of section 315(c)\* caused you to recommend against filing an inter partes reexamination request? If so, please explain.***

***\*[Section 315(c) prohibits the third party requester in an inter partes reexamination from asserting in a later civil action the invalidity of any claim determined to be valid on any ground which the third party requester raised or could have raised in an ordered inter partes reexamination.]***

No.

***13. Has the estoppel provision of section 4607 of the AIPA\* caused you to recommend against filing an inter partes reexamination request? If so, please explain.***

***\*\*[Section 4607 of the AIPA prohibits the third party requester in an inter partes reexamination from later challenging in a civil action any fact already determined during the process of the inter partes reexamination.]***

No.

***14. What changes, if any, to the inter partes reexamination statute do you recommend (e.g., removing the estoppel provisions; expanding it to include 35 U.S.C. 101/112 issues; making it available to all patents)?***

- (A) If you unable to remove the estoppel provisions altogether, please clarify the “unavailable” standard that appears in Section 315(c) by adopting the Rule 56 Duty of Disclosure standard as Congress apparently intended. See HR106-464.
- (B) Issue an MPEP Section for the inter partes reexamination as soon as possible.
- (C) Withdraw or modify the intentions in the 21<sup>st</sup> Century Plan that the PTO will abolish inter partes reexamination. Commit the Office resources toward a more robust inter partes reexamination on a written record on all of the issues that can be considered by an examiner during a normal examination process. For example, allow challenges based on

the adequacy of the disclosure and claims under Section 112 (all issues in the 1<sup>st</sup> and 2<sup>nd</sup> paragraphs). Streamline public use proceedings and allow “on sale or public disclosure” challenges to be raised by an inter partes reexam.

- (D) Remove the November 1999 filing date restriction on patents eligible for inter partes reexamination. This would allow more patents on commercial inventions to be considered for challenge under the inter partes reexam proceeding.
- (E) Extend the period for submitting Comments from 30 days to two months.
- (F) Permit service of process by communications systems other than postal mail (fax, email FedEx, Express Mail, etc.) either alone or in combination with a confirmation copy by mail system.