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**PATENT REFORM AT THE CROSSROADS: EXPERIENCE IN THE
FAR EAST WITH OPPOSITIONS SUGGESTS AN ALTERNATIVE
APPROACH FOR THE UNITED STATES**

Dale L. Carlson¹ and Robert A. Migliorini²

On September 1, 2005, Representative Lamar Smith introduced a "Coalition Print" version of a patent reform bill (Substitute bill H.R. 2795) into Congress. That bill included a post-grant opposition procedure not later than nine months after grant. On April 5, 2006, Representative Howard Berman introduced the "Patents Depend on Quality Act of 2006" (H.R. 5096 - the "PDQ Act") into Congress. The proposed PDQ Act includes a so-called "second window" for bringing an opposition, namely within six months of the alleged infringer's receiving notice of suit.

The concept of a post-grant review procedure has the support of the Director of the United States Patent and Trademark Office, Jon Dudas, and warrants consideration by the patent community at large. The authors submit that the form and substance of any such post-grant review procedure are critical elements to its success. The authors submit that the review procedure should not take the form of an "opposition" protocol, but rather should be woven into the existing inter partes reexamination procedure.

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The authors recommend an alternative administrative patent invalidation system that differs from those suggested in the H.R. 2795 and H.R. 5096 bills. As backdrop for the authors' proposal, the strengths and weaknesses of the existing inter partes and ex parte reexamination procedures for challenging a patent are explored. International systems for challenging patents in Europe, Japan, China, and Taiwan are also benchmarked. The European post-grant opposition, unlike the proposed United States system, does not include estoppel with respect to subsequent litigation, and thus does not preclude raising in the litigation the same issues of law and fact argued in an opposition proceeding.

Due to negative experiences, Japan and China have abolished their time-limited post-grant opposition systems in favor of a single non-time limited patent invalidation system. Other potential problematic aspects associated with the proposed United States post-grant system include: the nine-month time limitation for filing an opposition request, the lack of qualified PTO resources to adequately support a completely new system, overlap and redundancy with existing reexamination systems, and a lack of consistency with the invalidation system of one of our tripartite partners, namely Japan.

To resolve these issues, the authors propose a non-time limited invalidation system that is based off of the existing inter partes reexamination framework. The proposed system is a 'hybrid'—combining many of the beneficial aspects of the proposed United States opposition system with the existing inter partes reexamination system. The proposed changes to inter partes reexamination include, inter alia, making the system retroactive to patents issued from applications filed prior to November 29, 1999, expanding the grounds to be consistent with statutory patentability requirements, expanding the scope of evidence considered, expanding third party involvement via oral hearings and deposition testimony, and modifying the current estoppel provision to include only legal determinations relative to invalidity of issues actually raised in the proceeding. The proposed invalidation system would provide a speedy, simple, low cost, and efficient method of challenging United States patents to increase their quality and certainty while obviating the overlap and redundancy

associated with having both a United States post-grant opposition system and an inter partes reexamination system.

I. INTRODUCTION

“Those who cannot remember the past
are condemned to repeat it.”

—George Santayana (1863–1952)

The United States patent laws help to fuel technological progress by awarding to an inventor a limited monopoly to exclude others from making, using, and selling the invention in exchange for his or her disclosure of the invention to the public. This in turn encourages others to learn from, and improve upon, the inventions of others to further incentivize innovation and patenting activity. The United States Patent and Trademark Office (“PTO”) has come under increasing attack for issuing patents that are allegedly overly broad or simplistic and of questionable validity. This attack implicates a number of constraints imposed upon the PTO due to resource limitations that prohibit the accurate determination of the scope of information in the public domain that is usable as prior art. For example, PTO examiners are faced with time limitations in searching for prior art and examining a patent application against it. An examiner typically spends from about eight to thirty-two hours searching and examining a patent application during the average two to three year prosecution period.³ In contrast, patent attorneys, search experts and technical experts seeking to invalidate a patent may spend hundreds, or even thousands, of hours searching for and reviewing prior art to undercover and synthesize invalidity arguments.⁴

The number of United States patent applications filed and patents granted continue to increase without a proportional

³ Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 765-6 (2002).

⁴ Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U.L. REV. 1495, 1502 (2001).

increase in the number of PTO examiners.⁵ Hence, the PTO is significantly short staffed in terms of examiners.⁶ These factors tend to negatively impact the quantity and quality of prior art that can be identified and applied to a patent application. There are also other sources of activity, such as on-sale bar and public use more than one-year prior to filing a patent application, for which an examiner cannot search, but nonetheless would invalidate an issued United States patent.⁷ In addition, there are certain more recently developed technologies, such as computer software and business methods, where identifying the relevant prior art is often difficult with current computerized search tools.⁸

According to PTO data, approximately sixty to sixty-five percent of all United States patent applications result in issued patents.⁹ One statistical study revealed that, of patents that are subsequently litigated, at least forty six percent of United States patents are invalidated in litigation.¹⁰

To compensate for these imperfections in the United States patent examination, systems are necessary to remedy issues associated with patents of questionable validity. Some of these systems are already in place, such as *ex parte* reexamination¹¹ and *inter partes* reexamination¹² systems. For a variety of reasons, these reexamination systems have not been utilized to the extent hoped.

⁵ Gerald J. Mossinghoff & Vivian S. Kuo, *Post-Grant Review Of Patents: Enhancing The Quality Of The Fuel Of Interest*, 85 J. PAT. & TRADEMARK OFF. SOC'Y 231, 231 (2003). In 1981, there were 114,710 patent applications filed and 71,010 United States patents granted, whereas in 2001, there were 344,717 patent applications filed and 187,822 United States patents granted, which represents a three-fold increase.

⁶ Joseph N. Hosteny, *What Now? Post-Grant Oppositions and the Proposed Budget*, INTELL. PROP. TODAY, March 2005, at 8 (submitting that the PTO is short by about 900 patent examiners).

⁷ 35 U.S.C. § 102(b) (1952).

⁸ Kesan, *supra* note 3, at 765.

⁹ Lemley, *supra* note 4, at 1498.

¹⁰ John R. Allison and Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205-07 (1998).

¹¹ 35 U.S.C. §§ 301-307 (1980).

¹² 35 U.S.C. §§ 311-317 (2000).

An alternative approach to reexamination of an issued patent is the use of a patent opposition system as a basis to challenge a patent application (i.e., “pre-grant opposition”) or issued patent (i.e., “post-grant opposition”). Generally, oppositions permit a greater breadth of evidence to be used in challenging a patent, as well as greater involvement of the challenger in the proceeding.

Recently there has been momentum to enact a United States post-grant patent opposition system analogous to the system currently in place in Europe.¹³ The authors submit that such an opposition system is not appropriate for the United States, and if enacted, would further complicate our patent system without accomplishing the stated objectives for implementation. As a better alternative, the authors propose that the current *inter partes* reexamination system be modified to improve its effectiveness and use rate. To this end, the authors propose specific changes to *inter partes* reexamination to incorporate options provided under a non-time limited invalidation proceeding. This would obviate the need for implementing yet another protocol, namely a United States post-grant opposition system.

This article proceeds in five parts. Part II discusses the characteristics and issues associated with the current United States reexamination system. Part III explores oppositions systems in Europe, Japan, China and Taiwan. Parts IV and V overview the proposed legislation for a United States post-grant opposition system and the potential issues associated with such respectively. Finally, Part VI develops an alternative approach consisting of a revamp to the current *inter partes* reexamination system to incorporate the best aspects of an invalidation proceeding as a framework for resolving patent validity disputes within the PTO.

¹³ See H.R. 2795, 109th Cong. (1st Sess. 2005).

II. CURRENT UNITED STATES REEXAMINATION SYSTEM

A. *Ex Parte* Reexamination

1. *History and Purpose*

Ex parte reexamination was enacted in 1980 as a method to challenge and resolve issues of patent validity.¹⁴ The primary objective of the reexamination procedure was to provide an alternative method of resolving patent validity disputes that would be less costly and more expedient than litigation. A secondary objective was to improve the confidence of investors in the patent system. A final objective was to establish a method whereby the courts could defer issues of patent validity to the PTO.¹⁵

2. *Characteristics and Issues*

Anyone, including the patentee, may file a request for reexamination of one or more claims of a patent by providing the PTO with a written request for reexamination accompanied by the fee, the pertinent prior art, and the manner of applying the prior art to the claim(s) at issue.¹⁶ The identity of the real party in interest need not be disclosed, as an attorney representing the real party in interest may file the request.¹⁷ The prior art cited to the PTO by the requester must consist of patents or printed publications.¹⁸ The patent owner will then be notified by the PTO of the request for reexam.¹⁹ The prior art cited to the PTO may include not only new prior art, but also prior art previously considered by the PTO.²⁰ The PTO will determine within three months whether a substantial new question of patentability is raised by the request, and if so, a

¹⁴ 35 U.S.C. §§ 301-305 (1980).

¹⁵ See 145 CONG. REC. H6929, H6944 (daily ed. Aug. 3, 1999).

¹⁶ 35 U.S.C. § 302 (1980).

¹⁷ *Syntex Inc. v. United States Patent and Trademark Office*, 882 F.2d 1570, 1573 (Fed. Cir. 1989).

¹⁸ 35 U.S.C. § 301 (1980).

¹⁹ *Id.*

²⁰ 35 U.S.C. § 303(a) (1980).

reexamination proceeding will be initiated.²¹ The PTO, in making its determination, is not limited to the prior art submitted by the requester, but may also apply other prior art.²² The determination by the PTO is final and nonappealable by both the requester and the patentee.²³

If the PTO issues an order for reexamination, the proceeding is predominantly between the PTO and the patentee, and is conducted with special dispatch.²⁴ The requester's involvement is limited to filing one written reply to a statement submitted by the patentee concerning the patentability issue raised.²⁵ If the patentee decides not to file a statement, the requester may not file any further papers in the proceeding. In fact, few patentees submit statements after receiving the reexamination order because it gives the requester another opportunity to challenge the patent.²⁶ After reexamination is initiated, it will be conducted similarly to the initial examination process between the patentee and the examiner and assigned to the same technology area.²⁷ The claims being reexamined do not maintain the presumption of validity given to issued patents; thus the clear and convincing burden of proof needed to invalidate a claim in litigation does not apply.²⁸ During the reexamination proceeding, the patentee may argue or amend one or more claims to distinguish the prior art cited, although the scope of the claims may not be broadened.²⁹ The PTO, in an effort to improve the quality and timeliness of reexamination, announced on July 29, 2005 that it has established a newly formed central reexamination unit consisting of twenty highly skilled primary examiners who

²¹ 35 U.S.C. §§ 303-304 (1980).

²² 35 U.S.C. § 303(a) (1980).

²³ 35 U.S.C. § 303(c) (1980).

²⁴ 35 U.S.C. § 305 (1980).

²⁵ 35 U.S.C. § 304 (1980).

²⁶ Haitao Sun, *Post-Grant Patent Invalidation In China And In The United States, Europe, And Japan: A Comparative Study*, 15 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 273, 312 (2004).

²⁷ 35 U.S.C. § 305 (1980).

²⁸ Kristen Jakobsen Osenga, *Rethinking Reexamination Reform: Is It Time For Corrective Surgery, Or Is It Time To Amputate?*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 217, 228 (2003).

²⁹ 35 U.S.C. § 305 (1980).

will concentrate solely on reexamination.³⁰ The PTO also established a target of two years for completing reexamination proceedings.³¹

Once the PTO renders a decision, the patentee may appeal an unfavorable determination to the Board of Patent Appeals and Interferences (“BPAI”) or to the federal courts.³² In contrast, the requester is precluded from any avenue of appeal when an adverse decision is rendered. A third-party requester is not estopped from raising the same issues of law or fact decided in the *ex parte* reexamination proceeding in subsequent litigation.

Based on the limitation of prior art patents and printed publications, the scope of the patentability issues raised in *ex parte* reexamination is typically limited to anticipation rejections under 35 U.S.C. § 102 and obviousness rejections under 35 U.S.C. § 103. The requester may not challenge validity based upon prior use, on-sale bar, ineligible subject matter, inadequate disclosure, inequitable conduct, or prosecution laches. In addition, the lack of requester involvement and the inability of the requester to appeal either a denial of a reexamination request or an adverse decision if reexamination is granted has resulted in *ex parte* reexamination being an underutilized method for challenging patent validity. In contrast, *ex parte* reexamination has evolved as a method available to a patentee to strengthen a patent after becoming aware of some prior art that is pertinent to patentability and was not considered by the PTO during the initial examination process. This use of *ex parte* reexamination by a patentee is a result that was somewhat unforeseen and unintended by the Legislature in 1980.³³

³⁰ See *USPTO Improves Process for Reviewing Patents*, <http://www.uspto.gov/web/offices/com/speeches/05-38.htm> (last visited Apr. 1, 2006).

³¹ *Id.*

³² 35 U.S.C. § 306 (1980).

³³ Qin Shi, *Reexamination, Opposition, Or Litigation? Legislative Efforts To Create A Post-Grant Patent Quality Control System*, 31 AIPLA Q.J. 433, 440 (2003).

3. *Efficiency and Statistics on Use*

The typical time frame for completion of an *ex parte* reexamination proceeding is one to two years.³⁴ In the first twenty years since its inception, there have been on average about 300 *ex parte* reexaminations requests filed per year, which represents about 0.2% of the average 150,000 United States patents issued each year.³⁵ In 2004, there were a total of 441 requests for reexamination filed with thirty-eight percent filed by patent owners, sixty-one percent by third parties, and one percent by the Commissioner.³⁶ The 441 *ex parte* reexamination requests filed represents 0.24% of the 187,270 patents issued in 2004, which is consistent with the historical average. Of the 441 requests, 138 were known to have related litigation.³⁷ In terms of determinations on the requests, ninety-eight were granted and two percent were denied.³⁸ In terms of filings by discipline, thirty percent of the requests were in the chemical arts, and thirty-five percent in each of the electrical arts and mechanical arts.³⁹ From the 2003 PTO Performance and Accountability report, of more than 6700 requests filed from the start of *ex parte* reexamination, twenty-six percent of the total requests had all claims confirmed, ten percent had all claims cancelled, and sixty-four percent had some claim amendments.⁴⁰

³⁴ Sun, *supra* note 26, at 330.

³⁵ Sun, *supra* note 26, at 316.

³⁶ Table 13A: *Ex Parte* Reexamination—FY2000 to FY2004, from USPTO Performance and Accountability Report Fiscal Year 2004, http://www.uspto.gov/web/offices/com/annual/2004/060413a_table13a.html (last visited Apr. 1, 2006).

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ See USPTO, 2003 Performance and Accountability Report 119, <http://www.uspto.gov/web/offices/com/annual/2004/index.html> (last visited Apr. 1, 2006).

4. Summary

The *ex parte* reexamination process has failed its primary purpose as a means for challenging patent validity and instead has evolved into a method for patentees to improve the strength of their patents. The underutilization of *ex parte* reexamination to challenge patent validity is primarily based on the fact that the procedure is unduly favorable to the patentee because of the very limited involvement of the third-party requester in the proceeding. However, *ex parte* reexamination also suffers from the limited grounds upon which a patent challenge can be waged, the limited types of evidence that can be utilized to support the challenge, and the inability of a third-party requester to appeal an adverse decision. These issues have limited its use and effectiveness in patent validity disputes. The *ex parte* reexamination procedure does not include an estoppel provision.

B. Inter Partes Reexamination

1. History and Purpose

Due to perceived deficiencies with *ex parte* reexamination, Congress provided another option in the form of an *inter partes* reexamination procedure. The *inter partes* protocol went into effect in November of 1999 as part of the American Inventors Protection Act.⁴¹ The primary objective of the “Optional *Inter Partes* Reexamination Procedure Act” was to reduce costly patent litigation in federal courts by providing an expanded means for third parties to challenge the validity of a patent.⁴² Relative to *ex parte* reexamination, *inter partes* reexamination was designed to increase requester involvement in the proceeding. The *inter partes* procedure is applicable to patent applications filed on or after November 29, 1999.⁴³ *Ex parte* reexamination remained intact, albeit separate from the newly enacted *inter partes* reexamination

⁴¹ Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501.

⁴² 145 CONG. REC. E1788, E1789-90 (daily ed. Aug. 5, 1999).

⁴³ 35 U.S.C. § 311 (2000).

procedure. Since the new procedure is applied only to patents issuing roughly during or after 2001 (due to the lag period after November 29, 1999) that are attributable to PTO examination, insufficient time has passed to permit a full assessment of the efficiency of this protocol.

2. *Characteristics and Issues*

Many of the provisions of *inter partes* reexamination are similar to *ex parte* reexamination, with the exception of increased third-party requester involvement throughout the proceeding. A third-party requester may file a request for *inter partes* reexamination together with the required fee, the cited prior art (patents and printed publications), and a statement regarding the manner in which the prior art should be applied to the claims of the patent being challenged.⁴⁴ A couple of important distinctions, as compared to *ex parte* reexamination, are that a patentee may not request *inter partes* reexamination, and the request must include the identity of the real party in interest standing behind the request.⁴⁵

Analogous to *ex parte* reexamination, invalidity may only be challenged based on prior art patents and printed publications that can serve as a basis for anticipation rejections under 35 U.S.C. § 102 and/or obviousness rejections under 35 U.S.C. § 103. The third-party requester may not challenge the patent based upon other invalidity or unenforceability defenses, such as non-patentable subject matter, prior use, on-sale bar, inadequate disclosure, inequitable conduct, and prosecution laches. The PTO will notify the patentee of the request.⁴⁶ A determination of whether the request raises a substantial new question of patentability affecting any claim of the patent is to be made no later than three months after the request is filed.⁴⁷ The PTO may consider other patents and publications, as well as those previously considered during the initial prosecution, in determining whether a

⁴⁴ 35 U.S.C. § 311(b) (2000).

⁴⁵ 35 U.S.C. § 311(a)-(b) (2000).

⁴⁶ 35 U.S.C. § 311(c) (2000).

⁴⁷ 35 U.S.C. § 312(a) (2000).

substantial new question of patentability is raised.⁴⁸ The decision of whether a substantial new question of patentability is raised is final and non-appealable.⁴⁹

If the PTO decides to proceed with the *inter partes* reexamination, the proceeding will occur much like the initial examination process. However, it will be treated under special dispatch and under the control of the recently formed central examination unit of the PTO.⁵⁰ Unlike in litigation, no presumption of validity requiring a clear and convincing evidentiary burden attaches. The third-party requester will be copied by the PTO on each communication sent by the PTO to the patentee in the proceeding.⁵¹ An important distinction, as compared to *ex parte* reexamination, is that the third-party requester has an opportunity to file written comments within thirty days after the date of service of the patentee's response to a PTO Office Action. These comments may address not only issues raised by the PTO, but also the rebuttal by the patentee.⁵² On the other hand, if the patentee does not respond to a PTO Office Action, the third-party requester is precluded from offering comment relative to the Office Action. In response to an Office Action, the patentee may add new claims, and amend or cancel existing claims, but is prohibited from enlarging the scope of existing claims or adding new broadening claims.⁵³

Unlike *ex parte* reexamination, the third-party requester has a right of appeal. Accordingly, the requester may appeal an adverse final decision of the PTO to the BPAI, and if still not satisfied by the result, to the CAFC.⁵⁴ The appeal options of the patentee are on equal "footing" with those of the requester, and the same as in *ex parte* reexamination.⁵⁵ The patentee also has the option of obtaining a stay of pending litigation involving a question of

⁴⁸ *Id.*

⁴⁹ 35 U.S.C. § 312(c) (2000).

⁵⁰ 35 U.S.C. § 314(a), (c) (2000).

⁵¹ 35 U.S.C. § 314(b)(1) (2000).

⁵² 35 U.S.C. § 314(b)(2) (2000).

⁵³ 35 U.S.C. § 314(a) (2000).

⁵⁴ 35 U.S.C. § 315(b) (2000).

⁵⁵ 35 U.S.C. § 315(a) (2000).

validity of the same patent after an order for *inter partes* reexamination has been issued by the PTO.⁵⁶

One significant factor that limits the widespread use of *inter partes* reexam is that a third-party requester is estopped from later asserting the invalidity of any claim of a patent that was determined to be valid and patentable based on an issue raised, or that could have been raised in an *inter partes* reexamination proceeding.⁵⁷ The requester is also estopped from challenging any finding of fact in subsequent litigation, unless the fact is later proven to be erroneous based on evidence that was unavailable at the time of the reexamination proceeding.⁵⁸ The estoppel provision, however, does not prohibit a third-party requester from later asserting in litigation the invalidity of a patent based on newly discovered prior art that was unavailable at the time of the *inter partes* reexamination proceeding.⁵⁹

3. *Efficiency and Statistics on Use*

The PTO has set an objective of less than two-years for completion of *inter partes* reexamination proceedings, although subsequent appeal to the BPAI would likely delay the completion beyond this time frame.⁶⁰ A total of fifty-three requests for *inter partes* reexamination were filed between 2001 and 2004 with a significant upward trend occurring in 2003 and 2004.⁶¹ In 2003, twenty-one requests were filed, and in 2004, twenty-seven requests were filed.⁶² Of the twenty-seven requests filed in 2004, five were

⁵⁶ 35 U.S.C. § 318 (2000).

⁵⁷ 35 U.S.C. § 315(c) (2000).

⁵⁸ See Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501. This section has not yet been codified.

⁵⁹ 35 U.S.C. § 315(c) (2000).

⁶⁰ USPTO Improves Process for Reviewing Patents, <http://www.uspto.gov/web/offices/com/speeches/05-38.htm> (last visited Apr. 1, 2006).

⁶¹ See Table 13B: *Inter partes* Reexamination - FY2000 to FY2004, from USPTO Performance and Accountability Report Fiscal Year 2004, http://www.uspto.gov/web/offices/com/annual/2004/060413b_table13b.html (last visited Apr. 1, 2006).

⁶² *Id.*

known to have related litigation.⁶³ During 2004, all requests were granted with the breakdown of the requests by discipline being (a) twenty-two percent in the chemical arts, (b) twenty-six percent in the electrical arts, and (c) fifty-two percent in the mechanical arts.⁶⁴ By the middle of 2005, the total number of requests exceeded 100.

One commentator has compiled statistics on the results of *inter partes* proceedings indicating that only two percent of the proceedings had all claims confirmed, fifty-nine percent had all claims rejected or cancelled, and thirty-nine percent had some claim amendments.⁶⁵ This limited data suggests that all claims are rejected in a higher percentage of the proceedings, and correspondingly all claims are confirmed in a smaller percentage of the proceedings than is the case with *ex parte* reexamination.

The same commentator also analyzed the use of *ex parte* reexamination compared to *inter partes* reexamination by third-party requesters for patents filed after November 29, 1999 where both proceedings would be available to a challenger.⁶⁶ Of the forty-seven patents challenged by third parties between May 21, 2004 and October 21, 2004, which were eligible for both *ex parte* and *inter partes* reexamination, seventy percent were filed as *ex parte* proceedings and thirty percent were filed as *inter partes* proceedings.⁶⁷ Hence, even in light of the greater participation afforded the third-party requester in an *inter partes* proceeding compared to an *ex parte* proceeding, *ex parte* reexamination is still more popular. This popularity may change in light of the information regarding success rate that is now available. Nonetheless, the lack of an estoppel provision in *ex parte* reexamination vis-à-vis *inter partes* reexamination may be a significant factor in its greater popularity despite its other disadvantages in terms of limitations on third-party requester involvement and appeal options.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ Joseph D. Cohen, *What's Really Happening in Inter partes Reexamination*, 87 J. PAT. & TRADEMARK OFF. SOC'Y 207, 217 (2005).

⁶⁶ *Id.* at 219.

⁶⁷ *Id.*

Since *inter partes* reexamination is only available to patents issuing after the beginning of 2001, and it is still a relatively new procedure, its use will likely increase over time based on the sheer numbers of total patents issuing.

4. Summary

The *inter partes* reexamination system has substantially improved third-party requester involvement in the proceeding and has put the requester on equal footing with the patentee in regard to the right to appeal the adverse decision. However, the system still suffers from a number of negative attributes that have limited, and likely will continue to limit, its effectiveness and use. Among these are the limited grounds upon which a patent challenge can be waged, as well as the limited types of evidence that can be utilized to support the challenge. Moreover, the breadth of the estoppel provision relating to issues raised or that “could have been raised” has also limited its usage rate due to potential infringers.

In view of the above-mentioned factors limiting the attractiveness of the current *inter partes* reexamination option, the authors turn to reviewing international opposition systems for insight into administrative resolution of validity disputes.

III. INTERNATIONAL SYSTEMS FOR CHALLENGING PATENTS

A. Europe

1. History and Purpose

Under the European Patent Convention (“EPC”), which went into effect on June 1, 1978, a single patent when granted is effective in the various European member states.⁶⁸ There are a total of twenty-eight Contracting States as part of the EPC. A

⁶⁸ See “European Patent Convention,” Oct. 5 1973, 13 I.L.M. 270 [hereinafter EPC], reprinted in INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY 675 (Marshall A. Leaffer ed., 2d ed. 1997). See also European Patent Office, European Patent Convention, <http://www.european-patent-office.org/legal/epc/e/ma1.html#CVN> (last amended Dec. 10, 1998) (last visited Apr. 1, 2006).

post-grant patent opposition system is available under the EPC.⁶⁹ The European Patent Office ("EPO") Opposition Division conducts opposition proceedings.

2. *Characteristics and Issues*

The European opposition system permits any person, exclusive of the patentee, to file a notice of opposition within nine months of the patent grant in the European Patent Bulletin.⁷⁰ "Any person" refers to not only a natural person, such as an individual, but also to a legal entity, such as a corporation.⁷¹ The real party in interest in challenging a patent need not be revealed. In addition, there are situations such that once an opposition is granted, additional challengers may join the action. For example, even if the nine-month period for filing an opposition has expired, a third party may intervene in an opposition proceeding if he proves that he is the subject of an infringement action of the patent being opposed, or that he has initiated an action for a court ruling of non-infringement of the opposed patent in response to the patentee's request that the alleged infringement ceased.⁷² Procedurally, the third party may file a notice of intervention within specified time limits; which for an infringement action is within three months of the initiation date of the action, and the intervention will be treated as an opposition.⁷³ A national court of an EPC Contracting State may stay a patent infringement suit pending the outcome of an EPO opposition proceeding.

The third-party requester must include with the notice of opposition a statement concerning the grounds on which the opposition is based, as well as an indication of the facts, evidence, and arguments presented in support of these grounds.⁷⁴ The three grounds upon which a European patent may be opposed are lack of patentability, insufficient disclosure, and extension of the scope of

⁶⁹ See EPC, *supra* note 68, at arts. 99-105.

⁷⁰ See EPC, *supra* note 68, at art. 99(1).

⁷¹ See EPC, *supra* note 68, at arts. 58, 99(1).

⁷² See EPC, *supra* note 68, at art. 105(1).

⁷³ See EPC, *supra* note 68, at arts. 105(1), 105(2).

⁷⁴ See EPC, *supra* note 68, at art. 99(1) (stating that a "written reasoned statement" must be filed).

protection beyond what was contained in the originally filed application.⁷⁵ In terms of lack of patentability, sub-categories include that the claimed invention lacks novelty,⁷⁶ lacks inventive step,⁷⁷ lacks industrial application,⁷⁸ relates to non-patentable subject matter,⁷⁹ or exploits that which is contrary to public interest or morality.⁸⁰ Grounds for challenging a patent provided by the EPC, not accorded by United States reexamination procedures, include lack of industrial applicability, ineligible subject matter, inadequate disclosure, and inadmissible amendment.⁸¹

A group of three technical examiners is assigned to each opposition proceeding, at least two of which did not participate in the initial examination of the patent.⁸² One of the three members shall be the Chairman, although the Chairman cannot be an examiner who participated in the initial examination of the European patent.⁸³ One of three members of the examination team may be delegated the primary role in reexamination of the patent; however, oral proceedings shall be heard by the three member team. The Opposition Division also has the ability to enlarge the team by the addition of a legally qualified examiner who did not initially examine the patent.⁸⁴

After the notice of opposition is granted, it is forwarded to the patentee, who may reply with observations or amendments to the specification, claims and drawings within a time frame set by the Opposition Division.⁸⁵ The observations and amendments filed by the patentee are then forwarded by the EPO to all parties to the opposition proceeding, and the challengers are given the opportunity to respond to the observations and amendments of the

⁷⁵ See EPC, *supra* note 68, at art. 100(a), (b), (c).

⁷⁶ See EPC, *supra* note 68, at arts. 99-105.

⁷⁷ See EPC, *supra* note 68, at art. 56.

⁷⁸ See EPC, *supra* note 68, at art. 57.

⁷⁹ See EPC, *supra* note 68, at arts. 52, 53(b).

⁸⁰ See EPC, *supra* note 68, at art. 53(a).

⁸¹ See EPC, *supra* note 68, at arts. 52-57, 100.

⁸² See EPC, *supra* note 68, at art. 19.

⁸³ See EPC, *supra* note 68, at art. 19(2).

⁸⁴ See EPC, *supra* note 68, at art. 19(2).

⁸⁵ See EPC, *supra* note 68, at art. 100, R. 57(1).

patentee.⁸⁶ In addition to the arguments set forth in the notice of opposition and the rebuttal arguments and amendments presented by the patentee, other evidence may also be considered during the proceeding if requested by a party or if the Opposition Division deems it appropriate.⁸⁷ This evidence includes not only patents and printed publications, but also other written documents, and the oral testimony of parties, witnesses, and experts before the Opposition Division.⁸⁸ Oral proceedings are open to the public.⁸⁹

The conduct of the opposition proceeding before the EPO is very flexible in terms of the scheduling of pleadings between the parties, and time limits can be extended for adequate cause.⁹⁰ The parties to the proceeding can also freely file observations or comments on submissions by the opposing party or the Opposition Division.⁹¹ One limitation during oral proceedings is that the parties are not allowed to introduce new facts or evidence, unless the Opposition Division deems such facts or evidence to be critically important.⁹² The burden is on the challenger to prove the grounds of unpatentability by providing evidence that proves the issue on the "overall balance or probabilities."⁹³ If there is conflicting evidence between the parties, doubts shall be resolved in favor of the patentee for unsubstantiated grounds.⁹⁴

The team of three examiners will then render a decision based on all the evidence of record, which will revoke the patent, reject the opposition, or maintain the patent in force in amended or unamended form.⁹⁵ In the event of a tie vote, the Chairman will render the decisive vote.⁹⁶ The decision of the Opposition Division

⁸⁶ See EPC, *supra* note 68, at R. 57(3).

⁸⁷ See EPC, *supra* note 68, at art. 116(1).

⁸⁸ See EPC, *supra* note 68, at art. 101.

⁸⁹ See EPC, *supra* note 68, at art. 116(4).

⁹⁰ Sun, *supra* note 26, at 306.

⁹¹ Sun, *supra* note 26, at 306.

⁹² Sun, *supra* note 26, at 306.

⁹³ See EPC, *supra* note 68, at art. 102.

⁹⁴ See EPC, *supra* note 68, at art. 106.

⁹⁵ See EPC, *supra* note 68, at art. 102.

⁹⁶ See EPC, *supra* note 68, at art. 19(2).

is published in the European Patent Bulletin upon termination of the proceeding.⁹⁷

Either the patentee or the third-party requester may appeal an adverse decision by the Opposition Division on either factual or legal grounds to the EPO Board of Appeal.⁹⁸ A notice of appeal must be filed within two months of the Opposition Division's decision, and the grounds for the appeal must be filed within four months of the decision.⁹⁹ All parties to the opposition proceeding have a right to participate in the appeal proceeding.¹⁰⁰ The Board of Appeal oversees the appeal proceeding.¹⁰¹ During the appeal proceeding, all parties are invited to file observations on communications submitted by another party or by the Board of Appeal.¹⁰² At the conclusion of the appeal, the Board may either render a decision or remand the case back to the Opposition Division with instructions on the law for further examination.¹⁰³

Another important distinction with United States *inter partes* reexamination is that a third-party requester to an EPO opposition proceeding is not estopped from later asserting in a national court of an EPC Contracting State the invalidity of any claim of a patent that was determined to be valid and patentable based on the same issue raised in the opposition.¹⁰⁴ The requester is also not estopped

⁹⁷ See European Patent Office, Guidelines for Examination in the EPO, pt. D, ch. I, § 8 (June 2005), available at http://www.european-patent-office.org/legal/gui_lines/pdf_2005/part_d_e.pdf (last visited Apr. 1, 2006).

⁹⁸ See EPC, *supra* note 68, at art. 106.

⁹⁹ See EPC, *supra* note 68, at art. 108.

¹⁰⁰ See EPC, *supra* note 68, at art. 107.

¹⁰¹ See EPC, *supra* note 68, at art. 110(1).

¹⁰² See EPC, *supra* note 68, at art. 110(2).

¹⁰³ See EPC, *supra* note 68, at art. 111.

¹⁰⁴ See *Buelhler v. Chronos Richardson Ltd*, England and Wales Court of Appeal Decisions, Cause of Action Estoppel Section, available at <http://www.bailii.org/ew/cases/EWCA/Civ/1998/509.html>. See also *Bundesgerichtshof in Zahnkranzfraser* (Case No X ZR 29/93) (holding that a declaration of nullity (revocation) can be issued by the German Courts on the same grounds that had been raised in an opposition before the European Patent Office). The EPC views opposition and revocation (invalidity) proceedings as different proceedings, although the issues overlap. Article 138 which sets out grounds of revocation states that "a European patent may only be revoked under the law of a contracting state, with effect for its territory on the following

from challenging any finding of fact in subsequent litigation that was raised in the opposition proceeding. Estoppel would only apply if the EPO opposition proceeding revoked the patent altogether.¹⁰⁵ However, if the EPO maintains the patent in force in amended or unamended form as a result of an opposition proceeding, a defendant to a later patent infringement action in a contracting state may again dispute the validity of the patent in the national court.¹⁰⁶ Hence, a third-party requester to an EPO opposition proceeding has nothing to lose, except time and money, in challenging the validity of a European patent. Even if the requester loses the opposition, he or she can litigate the same issues in a national court if sued for infringement.

3. *Efficiency and Statistics on Use*

The time frame to complete an opposition proceeding, including appeals, may be five years or more.¹⁰⁷ The European Patent Office publishes annually statistics on patent oppositions and grants. In 1997, a total of 2518 patents were opposed out of 39,646 patents granted, or 6.4% of the patents granted.¹⁰⁸ In 2000, a total of 1998 patents were opposed out of 27,523 patents granted, or 7.3% of the patents granted.¹⁰⁹ In 2003, a total of 2634 patents were opposed out of 59,992 patents granted, or 4.4% of the patents granted.¹¹⁰ In 2004, a total of 3110 patents were opposed out of

grounds” The Article prevents revocation except on grounds set out in the Article, but the EPC, when read as a whole, lays down a logical structure with the national courts having exclusive jurisdiction over revocation proceedings and the European Patent Office having the task of granting European patents (Article 4). Once granted, the patent becomes a patent of the chosen Contracting State. It is the courts of that Contracting State that have to decide infringement and revocation and any decision of the European Patent Office does not preclude the Courts of the Contracting State from deciding all issues of infringement and revocation.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ Sun, *supra* note 26, at 208.

¹⁰⁸ See European Patent Office, Facts and Figures 1998, at 13 (1998), available at http://www.european-patent-office.org/epo/facts_figures.

¹⁰⁹ *Id.* at 9.

¹¹⁰ *Id.*

58,730 patents granted, or 5.3% of the patents granted.¹¹¹ Hence, recent historical data indicates that between four and eight percent of European patents granted are opposed. Of the patents opposed, about thirty-five percent of the patents are revoked, about thirty-five percent of the oppositions are rejected, and about thirty percent of the patents are maintained in amended form.¹¹²

4. Summary

The European system of patent opposition is highly interactive and allows for challenges based on grounds that are not available in United States reexamination proceedings. The proceeding also permits for evidence, including oral proceedings, that goes well beyond just patents and printed publications, which makes the proceeding more akin to litigation than reexamination. Other differences include the limited time frame upon which an invalidity dispute can be raised by a third party, the long time frame needed in resolving a dispute, the uncertainty of the status of the challenged patent during the dispute, and the imposition of additional costs on the parties. The most important distinction with *inter partes* reexamination is the lack of estoppel in subsequent litigation to raise the same issues of law and fact argued in an opposition proceeding. The authors submit that the lack of estoppel is one of the primary factors that accounts for greater utilization of EPO oppositions as compared to United States *inter partes* reexamination; if a similar estoppel provision existed in Europe, a much smaller percentage of European patents would be opposed.

B. Japan's Post-Grant Opposition System

1. History and Purpose

Japanese patent-challenging procedures have undergone significant change over the last ten years. Prior to 1996, Japan had a pre-grant patent opposition system, which was available to a

¹¹¹ *Id.*

¹¹² Sun, *supra* note 26, at 308.

challenger within three months of the date of patent application publication.¹¹³ The pre-grant opposition system was replaced on January 1, 1996 with a post-grant opposition system due to delays in the issuance of a patent subject to pre-grant attack, and perceived harassment on patent applicants.¹¹⁴ The Japanese post-grant opposition system was abolished in 2003, only seven years after its enactment, for the reasons described below. Prior to its abandonment, the pre-grant opposition system was used primarily as corrective measure to rectify mistaken decisions of the JPO in granting a patent, which was a public benefit. All opposition proceedings were conducted within the Japanese Patent Office (“JPO”), which up until April 11, 2000 had exclusive jurisdiction over issues relating to patent validity.¹¹⁵ The Japanese Supreme Court, on April 11, 2000, held that a court can decide issues of patent validity in a patent infringement suit, reversing prior decisions.¹¹⁶ The discussion that follows focuses upon the post-grant opposition system.

2. *Characteristics and Issues*

Under the post-grant opposition system, anyone could file a written opposition with the Director-General of the JPO within six months of the publication date of the issued patent.¹¹⁷ The real party in interest had to be identified in the opposition.¹¹⁸ The third party had to include the grounds upon which the opposition was based along with supporting evidence.¹¹⁹ Grounds for challenging the patent were for the most part consistent with those of

¹¹³ See EPO Patent Information: FAQ About Japan, http://patentinfo.european-patent-office.org/prod_serv/far_east/japan/index.en.php#11 (last visited Apr. 1, 2006).

¹¹⁴ Sun, *supra* note 26, at 296.

¹¹⁵ Mossinghoff, *supra* note 5, at 247.

¹¹⁶ Japanese Patent Law was also amended effective April 1, 2005 to codify the Japanese Supreme Court decision that a Japanese court can decide issues of patent validity in a patent infringement suit. Accordingly, a patentee cannot enforce his/her patent if the patent is regarded as invalid.

¹¹⁷ See Japan Patent Law, Law No. 121, art. 115, (April 13, 1959 as amended by Law No. 220 of Dec. 22, 1999) [hereinafter Japan Patent Law].

¹¹⁸ Sun, *supra* note 26, at 297.

¹¹⁹ See Japan Patent Law, *supra* note 117, at art. 29.

patentability and included lack of novelty, lack of inventive step, lack of industrial applicability, improper claims, and insufficient disclosure.¹²⁰ Incorrect inventorship could not be used as a basis for the opposition.¹²¹

Supporting evidence could include not only prior art patents and printed publications, but also non-documentary prior art including activities demonstrating that the invention was “publicly known” or “publicly worked” in Japan prior to the filing date of the application.¹²² The JPO would then forward the notice of opposition to the patentee, who would have a period of sixty days for a domestic patentee and three months for a foreign patentee to file a written reply.¹²³ The patentee could argue against the grounds and supporting evidence; amend the specification, claims, or drawings; and correct other ambiguities in the patent in the written reply.¹²⁴

If the JPO deemed the opposition to be of merit, the opposition proceeding was then conducted before a collegial body of three Trial Examiners with one examiner designated as the Examiner-in-Chief.¹²⁵ Generally the Trial Examiners issued a decision on the merit of the opposition within four months after the expiration of the six-month opposition period. The opposition proceeding was classified as *ex parte* in nature because it was carried out primarily between the patentee and the JPO, although the challenger had a high level of involvement in terms of the evidence submitted—rendering the protocol somewhat of a hybrid of *ex parte* and *inter partes*.¹²⁶ The trial examiners reexamined the patent considering not only documentary evidence presented, but also testimonial evidence upon motion of a party.¹²⁷ The Japanese Code of Civil

¹²⁰ See Japan Patent Law, *supra* note 117, at arts. 49, 113.

¹²¹ See Japan Patent Law, *supra* note 117, at arts. 49, 113.

¹²² See Japan Patent Law, *supra* note 117, at arts. 29, 136.

¹²³ See Japan Patent Law, *supra* note 117, at arts. 115, 120.

¹²⁴ See Japan Patent Law, *supra* note 117, at art. 120.

¹²⁵ See Japan Patent Law, *supra* note 117, at arts. 117, 138.

¹²⁶ See “Bill for the Amendment of Patent Law and other Industrial Property Law” (2003), http://www.jpo.go.jp/torikumi_e/hiroba_e/hourei_e/amendment.htm [hereinafter Bill for the Amendment of Patent Law].

¹²⁷ See Japan Patent Law, *supra* note 117, at arts. 117, 120.

Procedure governed the examination of witnesses.¹²⁸ The Trial Examiners also had the flexibility to examine not only the opposed claims, but also non-opposed claims if there was a reasonable basis.¹²⁹ The trial examiners then rendered a decision on the opposition based upon all the evidence presented.¹³⁰

The patentee had the right to appeal an unfavorable decision to the Tokyo High Court.¹³¹ In contrast, the challenger had no right of appeal in the case of an unfavorable decision.¹³² In the rather unlikely scenario that the six month time frame for filing an opposition had not already elapsed, the unsuccessful challenger could attempt another opposition, or resort to trial for invalidation as an alternative protocol to challenge the patent once that protocol was enacted.¹³³

One limitation on the post-grant opposition system was the inability of the challenger to appeal an adverse decision.¹³⁴ Another factor often perceived as unfairly favoring the patentee over the challenger was the possibility that the JPO would dismiss the opposition as groundless or meritless without even requiring the patentee to respond to the opposition request.¹³⁵ Another major problem was the possibility of subjecting the patentee to multiple attacks on the same patent. In particular, the possibility of multiple oppositions and the alternative trial for an invalidation system often subjected the patentee to multiple proceedings, which could not be consolidated because of the different procedural systems.¹³⁶ Further, a challenger in a patent opposition proceeding was not estopped from reasserting the same issues in a trial for an invalidity proceeding. Consequently, the settlement of patent validity issues took longer, wasted resources in the duplication of

¹²⁸ See Japan Patent Law, *supra* note 117, at art. 119.

¹²⁹ See Japan Patent Law, *supra* note 117, at arts. 120, 178.

¹³⁰ See Japan Patent Law, *supra* note 117, at art. 114.

¹³¹ See Japan Patent Law, *supra* note 117, at art. 114.

¹³² See Japan Patent Law, *supra* note 117, at art. 114.

¹³³ See Japan Patent Law, *supra* note 117, at art. 114.

¹³⁴ John A. Tessensohn and Shusaku Yamamoto, *Japan: Patents—New Invalidity Appeal System*, E.I.P.R. 2003, 25(10), N154-155, N155 (2003).

¹³⁵ *Id.* at N154-55.

¹³⁶ *Id.* at N154.

efforts between the two systems for challenging a patent, and led to unnecessary confusion and delays in the handling of patent rights.¹³⁷ The opposition system was also somewhat flawed by virtue of the short six month time frame in which to challenge the issued patent, and limitations on the challenger's ability to participate in the proceeding to the same degree as the patentee.¹³⁸

3. *Efficiency and Statistics on Use*

Due to the limited involvement of the challenger in the proceeding, the time for completion of an opposition proceeding was relatively short. Between 1996 and 1999, more than 21,000 patent oppositions were filed with the JPO, and the JPO only rendered a decision in favor of the challenger in 3165 of the proceedings (which equates to about a fifteen percent success rate for the challenger).¹³⁹ Because of the low success rate for challengers, and the perceived slant in favor of the patentee, the number of oppositions decreased from about 6000 in 1998 to about 3500 in 2001.¹⁴⁰ In 2001, oppositions in the JPO were filed against only about three of the patents granted in that year.

C. *Japan's Trial for Invalidity System*

1. *History and Purpose*

Effective January 1, 2004, a new "Trial for Invalidity" was put in place as the sole mechanism for challenging a patent in Japan.¹⁴¹ The *inter partes* type proceeding is an integration of the post-grant opposition system and the previous invalidation by trial proceeding.¹⁴² The objectives of the new trial for an invalidity

¹³⁷ *Id.*

¹³⁸ Yoshinari Kishimoto, *How to Challenge Patent Validity*, Managing Intellectual Property May 2005, <http://www.managingip.com> (Follow "Archive" link, then follow "2005" and "May 2005 Full Content" links, scroll down to "Japan IP Focus" supplement) (last visited Apr. 1, 2006).

¹³⁹ Mossinghoff, *supra* note 5, at 298.

¹⁴⁰ Sun, *supra* note 26, at 298.

¹⁴¹ Tessensohn, *supra* note 134, at N154.

¹⁴² See Bill for the Amendment of Patent Law, *supra* note 126.

system were to: (a) more quickly resolve patent validity disputes; (b) to have one method of resolving such disputes in order to free the patentee from multiple attacks; (c) to improve the fairness to the challenger via increased number of grounds that would be used to attack the patent; (d) to allow the challenger to be more involved in the proceeding; and (e) to permit the challenger to have the right to appeal an adverse decision.¹⁴³ The bill also had a goal of harmonizing the Japanese patent system with global standards to encourage the acquisition of foreign patents.¹⁴⁴ In stark contrast to the objectives for the new proceeding, the original trial for an invalidity proceeding was largely a vehicle for an alleged infringer who was involved in litigation before a Japanese court simply because the court did not have the jurisdiction over issues of patent validity.¹⁴⁵

2. *Characteristics and Issues*

Despite its potentially confusing name, a trial for an invalidity proceeding is carried out before the JPO and not a court. Anyone can file a request with the JPO for an invalidation of an issued Japanese patent at any time during the life of the patent, even after the expiration of the patent term.¹⁴⁶ The identity of the real party in interest need only be disclosed in certain limited circumstances such as, for example, in the case of incorrect inventorship.¹⁴⁷ There are sixteen different grounds upon which a third party may request a trial for invalidity. These include, among others: lack of novelty, lack of inventive step, lack of industrial applicability, improper claims, insufficient disclosure, incorrect inventorship, and new matter added to the application after the filing date.¹⁴⁸ The

¹⁴³ See Bill for the Amendment of Patent Law, *supra* note 126.

¹⁴⁴ See Bill for the Amendment of Patent Law, *supra* note 126.

¹⁴⁵ Allan M. Soobert, *Breaking New Grounds In Administrative Revocation Of United States Patents: A Proposition For Opposition--And Beyond*, 14 SANTA CLARA COMPUTER & HIGH TECH. L.J. 63, 167 (1998).

¹⁴⁶ See Bill for the Amendment of Patent Law, *supra* note 126.

¹⁴⁷ See Bill for the Amendment of Patent Law, *supra* note 126.

¹⁴⁸ See Global IP Group, Japanese Patent Law, IX: Trial for Invalidity Art. 123, <http://www.shinju.com/articles/index.html>, which provides:

invalidation requests are handled by a three to five-member panel of the Board of Appeals and Trials.¹⁴⁹ The panel consists of highly

A third party who is or may be adversely affected by a patent may demand a trial for the invalidation of the patent under the following circumstances:

- (1) new matter was added to the application during prosecution;
- (2) a patent was granted to an applicant that is a resident of a country which does not grant reciprocal privileges to Japanese residents;
- (3) the invention is not industrially applicable;
- (4) the invention was publicly known in Japan prior to the filing date of the application;
- (5) the invention was publicly worked in Japan prior to the filing date of the application;
- (6) the invention was described in a publication distributed in Japan or elsewhere prior to the filing date of the patent application;
- (7) the invention could have been easily made, prior to the filing date of the application, by a person with ordinary skill in the art to which the invention pertains;
- (8) the applicant was not the first one to file a patent application for the invention;
- (9) the invention is liable to contravene public order, morality or public health;
- (10) the patent was granted contrary to the provisions of a treaty;
- (11) the specification does not describe the invention in a manner sufficiently clear and complete for the invention to be carried out by a person having ordinary skill in the art to which the invention pertains;
- (12) the allowed claims are not clear and concise;
- (13) an English language patent application was originally filed, and the Japanese language translation of such includes matter not disclosed in the English version;
- (14) the patent has been granted on a patent application filed by a person who is not the inventor and has not succeeded to the right to obtain a patent for the invention concerned;
- (15) when the patentee has become a resident of a country that does not grant reciprocal privileges to residents of Japan, or the patent in question no longer complies with a treaty; and
- (16) the patentee has been allowed to correct the specification or drawings of the patent after grant in a manner which adds new matter.

¹⁴⁹ Sun, *supra* note 26, at 299.

qualified and experienced patent examiners who were not involved in the initial examination of the patent.¹⁵⁰

After the JPO notifies the patentee of the invalidation request, the patentee can file a reply, which can include amendments to the specification and/or narrowing of the claims at issue. The third-party requester is allowed to participate at every stage of the proceeding, making this a clearly *inter partes* protocol. The challenger has the opportunity to rebut the reply of the patentee both by argument and the introduction of new evidence.¹⁵¹ Much like the predecessor opposition proceeding, evidence is not limited to patents and printed publications, but may also include non-documentary evidence of prior public knowledge or use in Japan.¹⁵² An Oral Hearing affords both sides an opportunity for oral testimony as expected in a true *inter partes* type structure.¹⁵³ The Trial Board renders a decision to revoke the patent at issue, maintain the patent as issued, or maintain the patent in an amended format.¹⁵⁴

The appeal process is much more favorable to the challenger as compared to the abolished post-grant opposition proceeding. Either party can appeal an unfavorable decision to the Tokyo High Court.¹⁵⁵ On appeal, the parties may introduce new evidence in support of an existing ground for invalidity; however, new issues or grounds of invalidity may not be raised.¹⁵⁶ The patentee may even submit narrowing amendments within ninety days of the Trial Board's decision, to which the challenger may respond. The Tokyo High Court may remand the invalidity appeal back to the JPO for consideration.¹⁵⁷ The challenger, however, is not precluded from filing another request for a trial for invalidity based

¹⁵⁰ Sun, *supra* note 26, at 330.

¹⁵¹ Sun, *supra* note 26, at 299.

¹⁵² Kishimoto, *supra* note 138.

¹⁵³ See Bill for the Amendment of Patent Law, *supra* note 126. See also Soobert, *supra* note 145, at 167.

¹⁵⁴ Sun, *supra* note 26, at 300.

¹⁵⁵ See Bill for the Amendment of Patent Law, *supra* note 126.

¹⁵⁶ Tessensohn, *supra* note 134, at N155.

¹⁵⁷ See Bill for the Amendment of Patent Law, *supra* note 126. See also Sun, *supra* note 26, at 301.

on a different ground that had not been raised in the previous invalidity proceeding.¹⁵⁸ Multiple requests for invalidation by different parties, or on different grounds by a single party, relating to a given patent may be consolidated by the JPO to avoid duplication of examination and lessen the burden on the patentee.¹⁵⁹ Either party not satisfied with an appeal decision of the Tokyo High Court may further appeal as a matter of right to the Japanese Supreme Court.¹⁶⁰

3. *Efficiency and Statistics on Use*

Due to the increased involvement of the third-party requester in the proceeding, trial for invalidity proceedings were typically much slower than opposition proceedings. The typical time-frame to complete an invalidity trial proceeding could be as long as five years, although the goal of the revised trial for invalidity system is to resolve disputes in between twelve and fifteen months.¹⁶¹ In 2001, 283 invalidation trials were requested, and about 110,000 patents were granted. This equates to about 0.3% of patents granted in Japan.¹⁶² The success rate for the challenger was about twenty-four percent.¹⁶³ In 2001, 156 trial for invalidity decisions were appealed to the Tokyo High Court, which is comparable to the 153 patent infringement suits that were filed in Japanese Courts.¹⁶⁴ This data is for the “old style” trial for an invalidity system back at a time when the opposition system was still in existence as an alternative vehicle for patent invalidation. In contrast, the new trial for invalidity is expected to be used on about four percent of the patents granted based on previous experience with opposition and invalidation systems.¹⁶⁵

¹⁵⁸ Tessensohn, *supra* note 134, at N155.

¹⁵⁹ Kishimoto, *supra* note 138.

¹⁶⁰ Sun, *supra* note 26, at 301-02.

¹⁶¹ Sun, *supra* note 26, at 330. *See also* Bill for the Amendment of Patent Law, *supra* note 126.

¹⁶² Sun, *supra* note 26, at 301-02.

¹⁶³ Sun, *supra* note 26, at 298.

¹⁶⁴ Sun, *supra* note 26, at 302.

¹⁶⁵ Sun, *supra* note 26, at 302.

4. *Summary*

Similar to the European opposition system, the Japanese trial for invalidity system is highly interactive, and allows for challenges based on grounds beyond just lack of novelty and lack of inventive step. The proceeding also allows for non-documentary evidence submission, including submissions via oral proceedings, which makes it more akin to litigation rather than “conventional” reexamination. As distinguished from the European opposition system, there is no time limit on when a Japanese patent can be challenged. The JPO has overcome hurdles simultaneously associated with having more than one system for challenging patent validity. The result helps avoid subjecting the patentee to multiple attacks via different procedural systems, draining patent office resources burdened by oversight of multiple systems, and effectively simplifying invalidity disputes. Thus, the JPO abolished its post-grant opposition system in favor of an expanded trial for invalidity system. Because the trial for invalidity system is new, it is too soon to conclusively assess its use rate and effectiveness for challengers.

D. *China*

1. *History and Purpose*

The first Chinese patent law was enacted in 1984,¹⁶⁶ and is considered to be in close compliance with the requirements of TRIPS.¹⁶⁷ Patentability in China is consistent with that of the United States, Europe and Japan in requiring novelty, inventive step (non-obviousness), and practical applicability (industrial applicability or utility).¹⁶⁸ China’s State Intellectual Property

¹⁶⁶ See State Intell. Prop. Office of the P.R.C., Patent Law of the People's Republic of China, available at <http://www.sipo.gov.cn/sipo/default.htm> (last amended Aug. 25, 2000) [hereinafter Chinese Patent Law].

¹⁶⁷ See generally Michael N. Schlesinger, *Intellectual Property Law in China: Part I—Complying with Trips Requirements*, 19 NO. 1 E. ASIAN EXECUTIVE REP. 9 (1997) (stating that “China is in substantial compliance with the TRIPS provisions on trademarks, patents and copyrights . . .”).

¹⁶⁸ See Chinese Patent Law, *supra* note 166, at art. 22.

Office (“SIPO”), and more specifically the SIPO Patent Reexamination Board is responsible for patent invalidation proceedings. Prior to 1992, China had a pre-grant opposition procedure, which was replaced with a post-grant opposition system because of delays associated with the issuance of a patent.¹⁶⁹ Prior to 2000, Chinese Patent Law provided for both a post-grant opposition procedure and a post-grant invalidation procedure.¹⁷⁰ The two systems differed in the time frame for bringing an action, and the grounds for invalidating a patent.¹⁷¹ More particularly, an invalidation procedure could not begin until an opposition procedure to the same patent was concluded. Because it subjected the patentee to multiple attacks, and because it over-burdened the SIPO, the post-grant opposition system was abolished in a 2000 amendment to the Patent Law.¹⁷² Currently, the patent invalidation procedure is the only mechanism of challenging a patent’s validity, and is considered to be consistent with the requirements of TRIPS.¹⁷³

2. *Characteristics and Issues*

Anyone may bring a request to the SIPO Patent Reexamination Board to invalidate a patent at anytime after issuance.¹⁷⁴ The true party in interest bringing the request need not be disclosed. The request for an invalidity proceeding must present the grounds and supporting evidence for patent invalidity.¹⁷⁵ Among the grounds upon which an invalidation request may be brought are lack of novelty, inventiveness, and practical applicability;¹⁷⁶ inadequate

¹⁶⁹ Sun, *supra* note 26, at 286.

¹⁷⁰ Sun, *supra* note 26, at 286.

¹⁷¹ Sun, *supra* note 26, at 286.

¹⁷² Sun, *supra* note 26, at 286.

¹⁷³ Sun, *supra* note 26, at 286.

¹⁷⁴ See Chinese Patent Law, *supra* note 166, at art. 45.

¹⁷⁵ See State Intell. Prop. Office of the P.R.C., Implementing Regulations of the Patent Law of the People's Republic of China, R. 64(1) (effective July 1, 2001), [http:// www.sipo.gov.cn/](http://www.sipo.gov.cn/) [hereinafter Implementing Regulations]. See also SIPO Guidelines for Patent Examination, pt. IV, ch. 3, § 3.1 [hereinafter Guidelines].

¹⁷⁶ See Chinese Patent Law, *supra* note 166, at art. 22.

enablement and written description;¹⁷⁷ the addition of new matter after the filing date;¹⁷⁸ unpatentable subject matter;¹⁷⁹ double patenting;¹⁸⁰ and indefinite claims.¹⁸¹ The supporting evidence accompanying the request may be based not only on prior art patents and printed publications, but also non-documentary evidence, such as public use or knowledge before the filing date.¹⁸²

If the Board deems the invalidity request to be appropriate, it will send a copy of the request to the patentee who may respond within one month.¹⁸³ The patentee may make narrowing amendments to the claims, but may not amend the specification or the drawings.¹⁸⁴ The reexamination of the patent then proceeds in an *inter partes* fashion. The Board may forward to the third-party requester the patentee's response and permit the requester to furnish additional rebuttal argument or further supporting evidence on the grounds presented within a one month time frame.¹⁸⁵ If the patentee amends the claims beyond mere deletion, the requester may also raise new grounds for invalidity with associated supporting evidence in relation to the amended claims.¹⁸⁶

A collegiate panel of three to five experienced patent examiners or a single experienced examiner will be assigned by the Board to handle the invalidation proceeding depending upon its complexity.¹⁸⁷ An interested examiner or an examiner that was involved in the original examination of the patent at issue shall not be involved in the case.¹⁸⁸ Either of the parties or the panel at its

¹⁷⁷ See Chinese Patent Law, *supra* note 166, at art. 26.

¹⁷⁸ See Chinese Patent Law, *supra* note 166, at art. 33.

¹⁷⁹ See Chinese Patent Law, *supra* note 166, at arts. 5, 25.

¹⁸⁰ See Implementing Regulations, *supra* note 175, at R. 13 (1).

¹⁸¹ See Implementing Regulations, *supra* note 175, at R. 20 (1).

¹⁸² See Chinese Patent Law, *supra* note 166, at art. 22(2).

¹⁸³ See Implementing Regulations, *supra* note 175, at R. 67(1). See also Guidelines, *supra* note 175, pt. IV, ch. 3, § 5.1.

¹⁸⁴ See Implementing Regulations, *supra* note 175, at R. 68.

¹⁸⁵ See Guidelines, *supra* note 175, at pt. IV, ch. 3, § 5.1. See also Implementing Regulations, *supra* note 175, at R. 67(2).

¹⁸⁶ See Guidelines, *supra* note 175, at pt. IV, ch. 3, § 5.4.

¹⁸⁷ See Guidelines, *supra* note 175, at pt. II, ch. 3, §§ 6-7.

¹⁸⁸ See Guidelines, *supra* note 175, at pt. IV, ch. 1, § 5.

discretion may request oral hearings during the reexamination.¹⁸⁹ The panel will render a decision based upon a majority vote that may declare invalid the entire patent, declare invalid certain claims of the patent, or declare valid the patent in its original or amended form.¹⁹⁰ A finding of invalidity will not have retroactive effect on a previous judgment of patent infringement by the People's Court or on the enforceability of a previously entered into licensing contract; however, the patentee will be responsible for compensating licensees for previous licensing fees.¹⁹¹ In the case of an infringement action, the People's Court has the discretion to order a stay of the litigation pending the outcome of the invalidation proceeding in the SIPO.¹⁹² In particular, a stay of litigation is nearly automatic concerning utility model and design patents, whereas a stay of litigation is far less common in the case of invention patents because they are granted only after substantive examination, unlike utility model and design patents.¹⁹³ Additionally, the SIPO Board should temporarily suspend a pending invalidation proceeding if the People's Court has ordered a patent right preservation with regard to the patent at issue.¹⁹⁴

Either the patentee or the third-party requester may appeal to the Beijing Intermediate People's Court an adverse decision of the SIPO Board within three months of the decision.¹⁹⁵ The SIPO Patent Reexamination Board will be the defendant to the action, and the winning party of the invalidation proceeding has the option of appearing as a third party.¹⁹⁶ A party to the appeal may further appeal an adverse decision to the Beijing Higher People's Court.¹⁹⁷

¹⁸⁹ See Implementing Regulations, *supra* note 175, R. 69(1).

¹⁹⁰ See Guidelines, *supra* note 175, at pt. IV, ch. 3, § 6.

¹⁹¹ Sun, *supra* note 26, at 286.

¹⁹² Sun, *supra* note 26, at 292.

¹⁹³ Sun, *supra* note 26, at 286.

¹⁹⁴ See Implementing Regulations, *supra* note 175, at R. 87. See also Guidelines, *supra* note 175, pt. IV, ch. 3, § 5.5.

¹⁹⁵ See Chinese Patent Law, *supra* note 166, at art. 46(2).

¹⁹⁶ See Guidelines, *supra* note 175, at Pt. IV, ch. 3, § 5.6. See also Chinese Patent Law, *supra* note 166, at art. 46(2).

¹⁹⁷ Sun, *supra* note 26, at 294.

3. *Efficiency and Statistics on Use*

The time frame to complete an invalidation proceeding is about two years.¹⁹⁸ For 2002, the total number of invalidation requests received by SIPO was 1752 and the total number of patents granted was about 132,500.¹⁹⁹ Hence, about 1.3% of the patents granted were challenged. For invention patents, which undergo substantive examination prior to grant, the number invalidity requests was only 130 of 21,500 invention patents granted, or 0.6% of the grants. Hence, the use of the invalidation proceeding is far greater for utility model and design patents, which do not undergo substantive examination prior to grant compared to invention patents.²⁰⁰ The percentage of invalidation proceeding requests related to utility model and design patents is also expected to increase based on an amendment to the patent law that went into effect in 2001, allowing for the appeal of adverse Board decisions concerning utility model and design patents.²⁰¹ In 2002, a total of 211 invalidation decisions were appealed to the Beijing Intermediate People's Court or Beijing Higher People's Court.²⁰²

4. *Summary*

The Chinese patent invalidation system is very similar to the trial for invalidity system currently used in Japan. It allows for substantial involvement of the challenger on a broad array of grounds for which documentary evidence, non-documentary

¹⁹⁸ Sun, *supra* note 26, at 330.

¹⁹⁹ See State Intell. Prop. Office of the P.R.C., Ann. Rep. 2002, Ch. V: Reexamination & Invalidation, available at <http://www.sipo.gov.cn/> [hereinafter Annual Report 2002].

²⁰⁰ Under Chinese Patent Law, the three types of patents are: (1) invention patents, (2) utility model patents, and (3) industrial design patents. Invention patents are to any new technical solution relating to a product, a process or improvement thereof. A utility model patent is to any new technical solution relating to the shape, structure, or combination thereof, of a product that is fit for practical use. An industrial design patent is to any new design of the shape, pattern, color, or a combination thereof, of a product, which creates an aesthetic feeling and is fit for industrial application.

²⁰¹ Sun, *supra* note 26, at 295–96.

²⁰² See Annual Report 2002, *supra* note 199.

evidence, and oral testimony can be introduced. Unlike the European opposition system, there is no strict time frame for when an invalidation request can be brought. Also like Japan, China has abolished its post-grant opposition system in favor of one unified system for challenging the validity of a patent, for simplifying invalidity matters within the SIPO, and finally, for not exposing the patentee to multiple attacks on the same patent via different procedural systems.

E. Taiwan

1. History and Purpose

Until 2004, Taiwan's patent law provided for a pre-grant opposition system within the Taiwan Intellectual Property Office ("TIPO"). Under the pre-grant opposition system, anyone could, within three months of the patent application publication date, file a written opposition request containing the ground for opposition and evidentiary support.²⁰³ There were five grounds upon which an opposition request could be filed including: the filing of an application by a foreign applicant whose home country did not accept patent applications from Taiwan nationals; the application did not conform to the prescribed statutory formalities; the application was unpatentable due to lack of novelty, inventive step and/or industrial applicability; the patent applicant was not the first to file for the invention; and the original inventor and another person separately applied for a patent relating to the same invention and a patent was not granted to the original inventor.²⁰⁴

The patent applicant was notified by the TIPO of the request for opposition, and was given a one month time frame from the notification date to file a reply in defense of the opposition request.²⁰⁵ If the applicant failed to file a reply, the application

²⁰³ See Taiwan Patent Law of 1994, art. 41. See also *Taiwan's Patent Law Awaits Signature of President*, 11 INT'L TRADE REP. (BNA) 50 (Jan. 12, 1994).

²⁰⁴ See PATWORLD § 162:16 Taiwan Opposition (last updated August 2005).

²⁰⁵ See Taiwan Patent Law of 1994, art. 41; see also *Taiwan's Patent Law Awaits Signature of President*, *supra* note 203.

would still be examined by the TIPO with regard to the request.²⁰⁶ The TIPO would assign the opposition to an examiner that was not involved in the initial examination of the patent application.²⁰⁷ The opposition proceeding also permitted amendment to the application and claims, interviews, and experimental demonstration by either party.²⁰⁸ An applicant or opposer dissatisfied with the decision of the TIPO could file an appeal, an administrative suit, and ultimately, appeal to the Administrative Supreme Court.²⁰⁹

2. *Characteristics and Issues*

Prior to 2004, an opposition proceeding was utilized to challenge a patent application prior to issuance and an invalidation or cancellation proceeding was utilized to challenge an issued patent.²¹⁰ The Taiwan pre-grant opposition proceeding was abolished with the new Patent Act promulgated on July 1, 2004, and hence, there were no patent oppositions filed after October 2004.²¹¹ Current Taiwan patent law permits an issued patent to be challenged by a third party only by an invalidation or cancellation proceeding. Any interested party may institute an invalidation action against an invention, utility model, and design patent at any time during either the enforcement period of the patent or even after its expiration if the requester will be adversely impacted.²¹² An action may also be instituted by the TIPO, which is referred to as an ex official examination.²¹³ The invalidation application must

²⁰⁶ See Taiwan Patent Law of 1994, art. 41.

²⁰⁷ Michael Skrehot, *Taiwan's Changing Patent Law: The Cost of Doing Business With the World*, 30 INT'L LAW 621, 644 (1996).

²⁰⁸ See *id.*

²⁰⁹ See Taiwan Patent Law of 1994, art. 41; see also *Taiwan's Patent Law Awaits Signature of President*, *supra* note 203.

²¹⁰ See PATENT Q&A, 19–20 (Apr. 2003), <http://www.tipo.gov.tw/eng/about/publications/Patent%20Q%20&%20A.pdf>. [hereinafter Q&A Patent].

²¹¹ See PATENT ACT, ENFORCE ON 1 JULY 2004 BY THE EXECUTIVE YUAN ORDER NO. YUAN-TAI-JING-TZU 0930026128, at art., 136, <http://www.tipo.gov.tw/eng/laws/patlaw-e.asp>. [hereinafter Taiwan Patent Act]; see also Taiwan Patent Statistics, Table B, n. 4, available at <http://www.tipo.gov.tw/eng/statistics/patent.pdf>. [hereinafter Taiwan Patent Stats].

²¹² Taiwan Patent Act, *supra* note 211, at arts. 67, 107, 108.

²¹³ See Taiwan Patent Act, *supra* note 211, at art. 67.

include the reason(s) for invalidation under the Patent Act and supporting evidence.²¹⁴ Appropriate reasons for an invalidation request of an invention patent include incorrect inventorship,²¹⁵ lack of novelty, inventive step and/or industrial applicability,²¹⁶ inadequate written description, claims and/or drawings;²¹⁷ double patenting;²¹⁸ non-statutory subject matter;²¹⁹ the patent applicant was not the first to file for the invention,²²⁰ and the patent is owned by a foreign person or entity whose home country does not accept patent applications from Taiwan nationals.²²¹ The reasons and evidence in support for an invalidation action should be supplemented and revised within one month of filing the application for invalidation, but if filed later than the one month time frame, may also be considered by the TIPO.²²² The supporting evidence is not limited to prior art patents and publications, but may include non-documentary evidence.²²³

The patentee is notified of the action by the TIPO, and may offer defenses to the action within one month of the notification, including amending the specification or drawings in a manner that does not broaden the scope of the invention.²²⁴ The TIPO will assign the invalidation action to an examiner who did not participate in the examination of the original patent application to render a decision on patentability considering all the evidence.²²⁵ The examiner may request the patentee to appear for an interview, to conduct further experimentation or furnish samples, and to make

²¹⁴ See Q&A About Patent, Pt. VII. Revocation of Patent, <http://www.tipo.gov.tw/eng/howto/procedures-p7.asp>. (last visited Apr. 1, 2006) [hereinafter Q&A Revocation].

²¹⁵ See Taiwan Patent Act, *supra* note 211, at art. 12.

²¹⁶ Taiwan Patent Act, *supra* note 211, at art. 22.

²¹⁷ Taiwan Patent Act, *supra* note 211, at art. 26.

²¹⁸ Taiwan Patent Act, *supra* note 211, at art. 23.

²¹⁹ Taiwan Patent Act, *supra* note 211, at art. 24.

²²⁰ Taiwan Patent Act, *supra* note 211, at art. 31.

²²¹ Taiwan Patent Act, *supra* note 211, at art. 67.

²²² See Q&A Revocation, *supra* note 214, at §§ 182–83.

²²³ See Q&A Revocation, *supra* note 214, at §§ 184–85.

²²⁴ See Q&A Revocation, *supra* note 214, at § 183. See also Taiwan Patent Act, *supra* note 211, at art. 69.

²²⁵ See Taiwan Patent Act, *supra* note 211, at art. 70.

amendments to the patent, including narrowing the claims and correcting errors in the specification.²²⁶ The examiner may also request to visit the site of the patentee for inspection and observation of experiments, samples or models.²²⁷ The examiner is only required to notify the requester when requiring the patentee to amend the patent.²²⁸ If the requester is being subjected to patent infringement litigation, the TIPO will give priority to the invalidation proceeding.²²⁹ The examiner will render a decision either to dismiss the action or to revoke the patent.²³⁰ Another third-party requester may not file for a subsequent invalidation action based on the same facts or evidence presented in the first proceeding.²³¹ A patentee or opposer dissatisfied with the decision of the TIPO may file an appeal, an administrative suit, and a final appeal to the Administrative Supreme Court.²³²

3. *Efficiency and Statistics on Use*

In 2003, a total of 1867 opposition requests, 512 invalidation requests, and 65,742 patent applications were filed with the TIPO.²³³ In 2004, a total of 1197 opposition requests (January to October only), 811 invalidation requests, and 72,082 patent applications were filed with the TIPO.²³⁴ The decrease in opposition requests and the increase in invalidation requests between 2003 and 2004 reflect the abolishment of the opposition proceeding in October 2004, and the invalidation proceeding as the sole means to challenge a patent. Based on the sum of opposition and invalidation requests, 3.6% and 2.8% of the patents applied for in 2003 and 2004 respectively were challenged either pre-grant or post-grant.

²²⁶ See Taiwan Patent Act, *supra* note 211, at art. 71.

²²⁷ See Q&A Revocation, *supra* note 214, at § 188; see also Taiwan Patent Act, *supra* note 211, at art. 71.

²²⁸ See Taiwan Patent Act, *supra* note 211, at art. 71.

²²⁹ See Q&A Revocation, *supra* note 214, at § 195.

²³⁰ See Q&A Patent, *supra* note 210, at 20.

²³¹ Taiwan Patent Act, *supra* note 211, at art. 67.

²³² See PATWORLD, *supra* note 204, at § 162:16.

²³³ Taiwan Patent Stats, *supra* note 211, Table B.

²³⁴ Taiwan Patent Stats, *supra* note 211, Table B.

4. *Summary*

Taiwan abolished their pre-grant patent opposition proceeding in favor of having a single means to challenge the validity of a patent post-grant via a cancellation or invalidation proceeding. Having both a pre-grant and post-grant system subjected patentees to potential harassment and corresponding delay in issuance of a patent application. In addition, the three-month time frame for filing a pre-grant opposition request was too limiting to potential challengers. The Taiwanese patent invalidation or cancellation proceeding is similar to the invalidity systems currently used in Japan and China in that validity is challenged post-grant, there is no strict time frame for when an invalidation request can be brought, the grounds for invalidity are broad, and supporting evidence may go well beyond prior art patents and publications. However, the Taiwanese system is more limiting than the Chinese and Japanese systems in terms of requester involvement in the proceeding, and more particularly, does not provide for oral testimony of the parties. Also like Japan and China, Taiwan abolished its opposition system to have one unified system for challenging the validity of a patent, for simplifying invalidity matters within the TIPO, and for not exposing the patentee to multiple attacks on the same patent via different procedural systems.

Based upon important learnings from the systems for challenging a patent in Europe, Japan, China and Taiwan, we can now assess the potential obstacles facing the proposed United States patent opposition system, and recommend system improvements moving forward.

IV. PROPOSED UNITED STATES PATENT OPPOSITION SYSTEM

The Patent Reform Act of 2005 introduced to the 105th Congress earlier this year included, among other things, a new chapter of Title 35 relating to a post-grant opposition system.²³⁵ Two main objectives have been given for the creation of a United

²³⁵ See H.R. 2795, 109th Cong. (1st Sess. 2005).

States post-grant opposition system. One objective is to provide a speedy, simple, low cost, and efficient method of reviewing issued United States patents by experienced Administrative Law Judges, based on the goal of enhancing the quality and certainty associated with United States patents.²³⁶ A second objective is to provide a party threatened with a patent infringement suit an alternative, and less costly means, to challenge a patent compared to expensive litigation.²³⁷ The proposed Patent Reform Act of 2005, as it is called, is embodied in a bill identified as H.R. 2795. The post-grant opposition procedure of the bill in its original form, and even so in its recently revised form, raises concerns in light of the review of the United States reexamination systems and international systems for challenging patent validity.

The new Chapter 32 of 35 U.S.C. would be entitled Post-grant Opposition Procedures.²³⁸ A third-party requester may request in writing an opposition to cancel one or more claims of a patent within nine months of the patent grant or issuance or a reissue patent.²³⁹ The real party in interest need not be identified in the opposition request, except if the challenger relies on factual evidence or expert opinion in the form of affidavits or declarations or if the challenger becomes a party to an appeal.²⁴⁰ The request must identify with particularity the reason(s) for unpatentability, which may include one or more of the following: lack of utility, non-patentable subject matter, lack of novelty, obviousness, failure to satisfy written description, enablement and/or best mode, indefinite claims, double patenting, and broadening reissue patent filed more than two years after the original grant.²⁴¹ The requester must also provide supporting evidence for the reason(s) for unpatentability. Supporting evidence is not limited to prior art patents and printed publications, but may also include non-documentary evidence, such as factual evidence or expert opinions,

²³⁶ Mossinghoff, *supra* note 5, at 250.

²³⁷ Mossinghoff, *supra* note 5, at 250–51.

²³⁸ See H.R. 2795, 109th Cong. (1st Sess. 2005).

²³⁹ *Id.* at §§ 321(a), 323.

²⁴⁰ *Id.* at § 322.

²⁴¹ *Id.* at §§ 321(a), 324.

in the form of affidavits or declarations.²⁴² Upon receiving the opposition request, the PTO will provide the patentee with a copy of the request and the evidence provided in support thereof.²⁴³

To avoid any potential harassment of patentees, the Director of the PTO will then determine whether a substantial question of patentability relative to one or more claims is raised by the request, and, if so, will order an opposition proceeding.²⁴⁴ The Director's determination of a substantial question of patentability is not appealable by the parties. The opposition proceeding shall commence not earlier than the nine month time frame for filing an opposition request and not later than three months after such date.²⁴⁵ If more than one opposition request is filed relative to the same patent, the Director shall consolidate the oppositions into a single proceeding.²⁴⁶ The Director will assign each opposition proceeding to a three-member panel of Administrative Patent Judges ("APJs") to reexamine the patent.²⁴⁷

The patentee will have the opportunity to file a response in regard to the order for an opposition proceeding.²⁴⁸ The response may include additional factual evidence and expert opinions, non-broadening claim amendments and new claims.²⁴⁹ The requester will continue to have a high level of involvement throughout the proceeding. In particular, the requester will have the right to introduce affidavits and declarations relative to factual matters and expert opinions, and may also depose each person submitting an affidavit or declaration on behalf of the patentee.²⁵⁰ Similarly, the patentee may depose each person submitting an affidavit or declaration on behalf of the challenger. The panel, at its discretion, may also permit additional submissions by any party subject to the right of the opposing party to depose persons submitting affidavits

²⁴² *Id.* at § 321(a).

²⁴³ *See* H.R. 2795, 109th Cong. (1st Sess. 2005), at § 321(b).

²⁴⁴ *Id.* at § 325(a)(1).

²⁴⁵ *Id.* at § 325(a)(2).

²⁴⁶ *Id.* at § 325(a)(3).

²⁴⁷ *Id.* at § 325(c).

²⁴⁸ *See* H.R. 2795, 109th Cong. (1st Sess. 2005), at § 326.

²⁴⁹ *Id.* at §§ 326, 327.

²⁵⁰ *Id.* at § 328(a).

and declarations.²⁵¹ In addition, either party may request an oral hearing, and may file briefs in preparation for the hearing.²⁵² The challenger has to prove the invalidity of each claim at issue by a preponderance of the evidence as opposed to the higher threshold of clear and convincing evidence in litigation.²⁵³

After considering all the evidence presented, the panel will render a written decision on the patentability of each claim at issue.²⁵⁴ A party not satisfied with the decision may file a request for reconsideration to the panel.²⁵⁵ Prior to considering the request, the panel must invite the opposing party to file a response to the request for reconsideration. The panel will then render a final decision either denying the request for modification or granting the request and rendering a modified decision. Either party has the right to appeal an adverse final determination of the panel to the CAFC within sixty days of the decision.²⁵⁶

The Director will stay an opposition proceeding if the patentee files suit alleging infringement within three months after the grant of the patent, the patentee requests a stay, the infringement action is likely to address the same issues of patentability raised in the opposition, and the Director determines that staying the opposition would not be contrary to the interests of justice.²⁵⁷ On the other hand, a court may not stay an infringement action pending a determination of the Director of whether to commence an opposition proceeding, or if an opposition proceeding has already been commenced by the PTO during its pendency.²⁵⁸

The bill also addresses the relationship between an opposition proceeding and an *ex parte* or *inter partes* reexamination proceedings. If a request for *ex parte* reexamination by other than the patentee or a request for *inter partes* reexamination is filed during the nine-month period following the patent grant, it shall be

²⁵¹ *Id.* at § 329.

²⁵² *Id.* at § 330.

²⁵³ See H.R. 2795, 109th Cong. (1st Sess. 2005), at § 332(a).

²⁵⁴ *Id.* at § 331.

²⁵⁵ *Id.* at § 333.

²⁵⁶ *Id.* at § 334.

²⁵⁷ *Id.* at § 325(d).

²⁵⁸ See H.R. 2795, 109th Cong. (1st Sess. 2005), at § 323.

treated by the PTO as a request for an opposition proceeding.²⁵⁹ Therefore, no *ex parte* or *inter partes* reexamination will be ordered. A request for an *ex parte* or *inter partes* reexamination made after the nine-month opposition period and during the pendency of an opposition proceeding will be stayed by the PTO.²⁶⁰

The bill's alluding to overlap between the proposed opposition protocol and the existing re-examination points to redundancy between the proposed and existing systems. The experiences of China and Japan suggest that this redundancy should be avoided *ab initio* because it would tax the resources of the PTO, confuse the users of the system, and likely lead to call for the elimination of redundancy in the protocols.

A determination by the PTO with regard to a question of patentability raised by a challenger will estop the challenger from asserting in a subsequent proceeding, for example a patent infringement suit, the invalidity of any claim on the basis of any issue of fact or law addressed in the opposition proceeding.²⁶¹ There is an exception for the estoppel provision for the case where a challenger in a subsequent proceeding discovers additional factual evidence that could not have been reasonably discovered by the challenger during the opposition proceeding. In this case, the challenger may raise the new issue of fact and any issue of law that may depend from it in the subsequent proceeding.²⁶²

The bill has set a time frame of one-year for completion of the proceeding from the commencement of the opposition, excluding appeal.²⁶³ This one-year time frame may be extended by an additional six months for good cause.²⁶⁴

The proposed United States post-grant opposition proceeding included as part of the "Patent Reform Act of 2005" is procedurally similar to European opposition practice. Both

²⁵⁹ *Id.* at § 340.

²⁶⁰ *Id.*

²⁶¹ *Id.* at § 336(a).

²⁶² *Id.*

²⁶³ See H.R. 2795, 109th Cong. (1st Sess. 2005), at § 337.

²⁶⁴ *Id.*

systems have in common the nine month time frame to bring an opposition request, the high level of involvement of the challenger in the proceeding, broad grounds usable in bringing an opposition request, and the option to use documentary and non-documentary types of supporting evidence available to the parties. Neither system affords a “second window” for invalidation after the nine-month opposition period has expired. However, the United States system differs from its European counterpart, *inter alia*, in already having in place reexamination systems for challenging the validity of a patent, albeit on more limited grounds. Such duplicative structures echo the problems that both the JPO and SIPO faced when it had multiple invalidation protocols in place. Additionally, in Europe, a litigant in a patent infringement suit in a national court is not estopped from raising the same issues of law and fact that were raised in a previous EPO opposition proceeding.²⁶⁵ By contrast, the proposed United States opposition system includes an estoppel provision that limits the issues that can be raised by litigants in a subsequent infringement suit.

Potential problems with enacting the proposed United States opposition system in its current format are discussed below.

V. POTENTIAL ISSUES WITH PROPOSED UNITED STATES OPPOSITION SYSTEM

A. *Time Limitation for Filing and Interrelationship with Concurrent Litigation*

One issue with the proposed United States opposition system is the nine-month “sole window” time frame in which a requester must file an opposition request. The rationale for such a time limitation is to only subject patentees to post-grant opposition once and to quickly remove invalid patents in order to create greater certainty of issued patents after the opposition request period.²⁶⁶ If

²⁶⁵ See *Buelhler v. Chronos Richardson Ltd*, England and Wales Court of Appeal (Civil Decision), Decisions, Mar. 20, 1998, <http://www.bailii.org/ew/cases/EWCA/Civ/1998/509.html> (last visited Apr. 1, 2006).

²⁶⁶ Steven R. Ludwig, *The Most Comprehensive Change to United States Patent Law*, INTELLECTUAL PROPERTY TODAY, July 2005, at 8.

the nine-month time frame expires, an opposition proceeding may only be initiated if the patentee consents in writing during the period of enforceability of the patent.²⁶⁷ Most likely that will likely never happen because there will be little incentive for a patentee to consent to an opposition following the nine-month time frame; therefore, the system will be reserved primarily for newly issued patents. However, the vast majority of patent infringement suits relate to older patents, not patents recently issued.²⁶⁸ Moreover, a patentee may simply wait out the nine-month period after issuance before filing the patent infringement complaint and avert the potential for an opposition proceeding. Under the proposed United States system, companies would have to aggressively monitor competitive patent grants and make speculative decisions of whether to initiate an opposition within nine months of issuance. This would likely unduly burden smaller companies, which do not have the human resources for monitoring patent grants or the monetary resources for waging oppositions to competitive patents that may or may not present an issue in the future.

The proposed United States opposition system also does not permit a United States District Court to stay a patent infringement suit pending the outcome of a pending opposition proceeding. The PTO must stay an opposition proceeding subject to an infringement suit litigating the same invalidity issues.

These time- and litigation-related factors will work to inhibit the use, and ultimately the utility of the proposed United States opposition system. In contrast, the Japanese trial for an invalidity proceeding is not limited to a single "window of time" when a third-party requester can challenge an issued patent. An invalidation proceeding may be waged at any point during the life of the Japanese patent. A valuable lesson is to be learned from the Japanese experience of abolishing their "single-window" opposition system in favor of a more flexible system permitting a

²⁶⁷ See H.R. 2795, at § 323.

²⁶⁸ See Paul F. Morgan, *Letter to the Editor Re: Post-Grant Review of Patents: Enhancing the Quality of the Fuel of Interest by Mossinghoff & Kuo*, 85 J. PAT. & TRADEMARK OFF. SOC'Y 730, 730 (2003).

challenger to bring a request for an invalidation proceeding at anytime during the patent life.

B. Estoppel Provision

Another problematic aspect of the proposed United States opposition system is the provision precluding an opposition requester from asserting in subsequent litigation the invalidity of any claim on the basis of any issue of fact or law raised in an opposition proceeding. The rationale for the estoppel provision is to shield the patentee from delay, harassment and costs associated with issues of fact or law that have already been raised and considered. This estoppel provision is somewhat analogous to that of the existing *inter partes* reexamination regimen. However the *inter partes* reexam estoppel provision is even more limiting in also precluding issues that “could have been raised” except for newly discovered prior art.²⁶⁹ The PTO recognizes the estoppel provision as the most frequently identified issue that deters third parties from filing requests for *inter partes* reexamination of patents.²⁷⁰ The PTO has suggested that issues that “could have been raised,” and the exception for “unavailable prior art” could benefit from greater clarification by Congress.²⁷¹ The exception to the estoppel provision for the proposed opposition system is more pointed. It allows patent challengers to assert additional factual evidence in a subsequent litigation that “could not reasonably have been discovered by the opposer” during the opposition proceeding.²⁷²

Although the opposition estoppel provision is not as restrictive as that present in *inter partes* reexam, it will nonetheless likely stand as a major impediment to use of the opposition protocol. The estoppel exception will provide small comfort to the patent challenger since the court, not the challenger, will determine

²⁶⁹ See *infra* Part II.B.

²⁷⁰ See USPTO Report to Congress on *Inter Partes* Reexamination, Analysis of Comments, available at http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm (last visited Apr. 1, 2006). [hereinafter Analysis of Comments].

²⁷¹ See Analysis of Comments, *supra* note 270.

²⁷² See H.R. 2795, § 336(a) (2).

whether any additional evidence being asserted could or could not “reasonably have been discovered” during the opposition. The risk associated with that determination will likely persuade many potential challengers to refrain from filing a request for post-grant opposition, but instead to wait until being sued for patent infringement in order to assert all of their factual evidence in support of invalidity.²⁷³ Further clarification regarding what “could not reasonably have been discovered by that opposer” would provide more certainty to requesters, and hence increase the likelihood of widespread use of the proposed United States opposition system.

C. *Lack of Qualified PTO Resources and Funding*

Another issue with the proposed United States opposition system is the lack of funding and staffing available to the PTO to effectively carry out its current tasks, much less taking on the administration of a new system and associated new tasks. From 1990 to 2000, the PTO has had about one-half billion dollars in user fees diverted by Congress to other parts of the government.²⁷⁴ The PTO is short staffed by about 900 examiners.²⁷⁵ Although the proposed 2006 budget for the PTO is ten percent higher than 2005, this still will not be sufficient to close the current staffing gap.²⁷⁶ The added cost burden associated with the opposition system is not even contemplated yet, and perhaps not even envisionable, until there is further certainty regarding likely usage. One commentator has suggested that we need to fix the current staffing and funding issues associated with the PTO operations to facilitate a more effective patent examination in the first instance, rather than putting in place a new opposition system to defective patents.²⁷⁷

²⁷³ See Steven R. Ludwig, *A United States Post-Grant Patent Opposition System—Will It Be Used?*, INTELL. PROP. TODAY, Mar. 2005, at 13.

²⁷⁴ Joseph N. Hosteny, *Post-Grant Opposition: Building On Sand*, INTELL. PROP. TODAY, Aug. 2004, at 8.

²⁷⁵ Joseph N. Hosteny, *What Now? Post-Grant Oppositions and the Proposed Budget*, INTELL. PROP. TODAY, Mar. 2005, at 8.

²⁷⁶ *Id.*

²⁷⁷ *Id.*

Moreover, PTO staffing issues associated with the proposed opposition system will further tax existing PTO resources.²⁷⁸

D. Overlap and Redundancy with Existing Reexamination Systems

Another issue with the proposed United States opposition system is the overlap and redundancy that it will create vis-à-vis the existing *ex parte* and *inter partes* reexamination systems. *Ex parte* reexamination has become a good tool for patentees to use to fix their patents upon discovering new prior art after issuance. *Inter partes* reexamination is reserved for third-parties to challenge the validity of a patent based on prior art patents and publications.²⁷⁹ Although the scope of invalidity issues is considered, and the types of evidence that may be presented in support thereof, will be substantially broader with the proposed opposition system, there will nonetheless be an overlap of these vehicles for challenging a patent. Thus, a third party challenger to a newly issued patent has a choice among *ex parte* reexamination, *inter partes* reexamination, and an opposition proceeding. This choice will make it difficult for the PTO to appropriately plan for the number of each of these proceedings to expect and to accommodate the proper staffing level. To this end, a new opposition system for challenging the validity of a patent that overlaps with the two existing reexamination systems runs counter to the attributes of simplicity and avoidance of overlap.

E. Learning from Japan's, China's, and Taiwan's Experience

Another issue with the proposed United States opposition system is that it does not appear to take into account the learnings of Japan and China with regard to administering multiple patent office invalidity systems. More particularly, Japan, China and Taiwan had both an opposition system and a separate and distinct invalidity system for challenging a patent.²⁸⁰ All three countries have abolished their opposition system in favor of an invalidation

²⁷⁸ See Morgan, *supra* note 268, at 731.

²⁷⁹ See *supra* Part II.B.

²⁸⁰ See *supra* Part III.

proceeding. The lessons learned in Japan, China, and Taiwan indicate that multiple systems for challenging a patent have the potential to complicate matters by allowing for undue harassment of patentees via administrative multiple pathways, creating uncertainty in terms of patent rights, and duplicating valuable patent office resources in the administration of parallel systems. Japan, China, and Taiwan have learned that simple and effective systems for challenging a patent allow for optimal utilization of patent office resources. To this end, a new United States opposition system for challenging the validity of a patent that is not consonant with the lessons learned from these three countries regarding concurrently administering multiple invalidation systems does not make practical sense.

F. Contrary to International Harmonization

Another consideration with regard to the proposed United States opposition system is that it appears inconsistent with international patent law harmonization efforts. Japan abolished its post-grant opposition system in 2003. By enacting a post-grant opposition system, the United States would be taking a step that runs counter to the recent move by Japan away from such a system. This might adversely affect harmonization efforts among the tripartite partners, United States, Japan, and Europe.

G. Lack of Incentive for Third-party requesters to Monitor Patent Grants and Challenge Patents

Another issue with the proposed United States opposition system is the lack of incentive for individuals and entities to monitor patent grants of competitors and bring an opposition request of a potentially invalid patent. Many companies, and particularly smaller ones, do not have the time or resources to monitor the patent grants of their competition. Therefore, the relatively short nine-month period for filing an opposition request may pass before many companies become aware of a potentially invalid competitive patent. Some companies may choose to wait until being sued to defend based on patent invalidity. Others may

take the gamble they will not be sued on the patent at issue, and thereby avoid the legal costs associated with opposing the patent.

H. Summary

The proposed legislation to create a United States post-grant patent opposition system has significant drawbacks associated with it that will likely limit its use and effectiveness. Among the most significant are: (a) the nine-month time limitation for filing an opposition request; (b) the interrelationship with concurrent litigation; (c) the estoppel provision; (d) the lack of qualified PTO resources to adequately support a completely new system; (e) the overlap and redundancy with existing reexamination systems; (f) the negative experience of both Japan and China with regard to post-grant opposition; (g) the lack of consistency with the invalidation system of one of our tripartite partners; and (h) the lack of built-in incentives for third-party requesters to file an opposition request.

In the next section of this paper, the authors present a proposal to address many of these concerns.

VI. AN ALTERNATIVE APPROACH: EXPAND *INTER PARTES* REEXAM TO INCLUDE INVALIDATION BASES

Due to the shortcomings associated with the proposed United States opposition system and its potential overlap and interaction with existing reexamination systems, the authors suggest that the proposed United States opposition system legislation be abandoned in favor of legislation to expand the existing *inter partes* reexamination system. The shortcomings of the existing *inter partes* reexamination system can be overcome by amending the system to provide a simple and efficient means for a third party to challenge the validity of a patent at any time during its life. The revamped *inter partes* system would include the best aspects of the current system and elements of the proposed United States

opposition system,²⁸¹ and therefore would be more akin to the invalidation proceeding used in Japan. To that end, the following changes to the existing *inter partes* reexamination system are recommended.

A. Make Retroactive to Patents Issued from Applications Filed Prior to November 29, 1999

Inter partes reexamination is currently limited to patent applications filed on or after November 29, 1999.²⁸² This significantly limits its use to patents filed over the last six years, which represents a relatively small percentage of patents that are in force, much less those that are actually litigated.²⁸³ Our proposal calls for making *inter partes* reexam retroactive to all unexpired patents, regardless of filing date. This will provide a greater opportunity for third party challengers to utilize the system.

B. Expand the Grounds

Inter partes reexamination requests are currently limited to anticipation and obviousness grounds for invalidating a patent.²⁸⁴ The authors' proposal calls for the grounds to be expanded to be consistent with statutory patentability requirements. More specifically, an *inter partes* reexamination request may be filed on broadened invalidity and unenforceability grounds, including: non-patentable subject matter, lack of utility, prior public use, on-sale bar, inadequate disclosure for written description, best mode and enablement requirements, indefinite claims, incorrect inventorship, double patenting, inequitable conduct, and prosecution laches. This will not only provide more incentive for system use, but will also comport with the broad grounds for invalidating a patent that exists in Europe and Japan.

²⁸¹ Shi, *supra* note 33, at 471; *see also* Dale L. Carlson & Jason Crain, *Reexamination: A Viable Alternative to Patent Litigation?*, 3 YALE SYMP. L. & TECH. 2 (2000), <http://www.yjolt.org>.

²⁸² *See supra* Part II.B.

²⁸³ Shi, *supra* note 33, at 471–72.

²⁸⁴ *See supra* Part II.B.

C. *Expand the Scope of Evidence Considered*

Currently, *inter partes* reexamination requests can only be based on prior art patents and printed publications for supporting evidence. Our proposal calls for the scope of evidence considered to be expanded to include other types of relevant written documents, interviews, limited discovery tools (requests for admissions, interrogatories and written and oral depositions), affidavits of experts, and oral hearings of parties, witnesses and experts before the reexamination panel. For example, oral testimony and affidavits attesting to prior public use, prior sale, or prior knowledge would be admissible evidence in the proceeding.

The outline of three currently existing PTO procedures—protest, public use, and interference—can serve as a template for designing procedures for the submission of non-documentary types of prior art by a challenger.²⁸⁵ A protest proceeding may be waged by any member of the public against a pending patent application prior to either publication or mailing of a notice of allowance, whichever occurs first.²⁸⁶ In support of the protest, the person challenging the patent application may submit to the PTO any evidence that can be reduced to writing, including declarations, affidavits, and deposition transcripts.²⁸⁷

A petition for institution of a public use proceeding may be brought by any member of the public against a pending patent application prior to either publication or mailing of a notice of allowance, whichever occurs first.²⁸⁸ In support of public use or on-sale more than one-year prior to the filing date by the patentee, the challenger must submit to the PTO affidavits or declarations supporting public use or sale.²⁸⁹ If the Commissioner institutes a public use proceeding based on the evidence presented by the petitioner, the case is referred back to an appropriate PTO official

²⁸⁵ See Frederick C. Williams, *Giving Inter Partes Reexamination a Chance to Work*, 32 AIPLA Q.J. 265, 292 (2004).

²⁸⁶ 37 C.F.R. § 1.291 (2005).

²⁸⁷ UNITED STATES DEP'T COM., UNITED STATES PAT. & TRADEMARK OFF., *MANUAL OF PATENT EXAMINING PROCEDURE* §§ 2000–13 (8th ed. 2003) [hereinafter MPEP].

²⁸⁸ 37 C.F.R. § 1.292 (2005).

²⁸⁹ *Id.*

to conduct the public use proceeding.²⁹⁰ The PTO official presiding over the proceeding takes evidence via direct testimony by affidavit or declaration according to the rules for interferences (37 C.F.R. §§ 1.671 through 1.685) with the patent applicant entitled to cross examine the petitioner's affiants.²⁹¹

In sum, the adoption of protest, public-use, and interference proceeding type rules within the framework of an expanded *inter partes* reexamination proceeding would provide for the necessary evidentiary tools, and mesh with existing procedures that the PTO is already familiar with and equipped to handle.

D. Allow for Appeal of the Decision Regarding a Substantial New Question of Patentability

Under the current *inter partes* rules, the PTO's decision of whether a substantial new question of patentability is raised in a third party request is final and non-appealable.²⁹² The intent is partly to prevent unnecessary harassment of patentees after the PTO renders a decision regarding the request.²⁹³ The standard for what constitutes a substantial new question of patentability is somewhat nebulous, which may lead to erroneous determinations by the PTO on the question.²⁹⁴ Between 1999 through 2004, the PTO found a substantial new question of patentability and ordered reexamination in every request submitted for *inter partes* reexamination.²⁹⁵ The authors propose that the decision be appealable by both the third-party requester and the patentee to the BPAI. The interlocutory appeal would be treated with special dispatch, and therefore minimize delay in commencement of the expanded *inter partes* reexamination proceeding until a final decision. The determination by the BPAI on the question would be final and non-appealable.

²⁹⁰ *Id.*

²⁹¹ MPEP, *supra* note 287, at § 720.04.

²⁹² 35 U.S.C. § 312(c) (2000).

²⁹³ See H.R. 1907, 106th Cong. (1999). The bill was finally enacted as part of House Bill 3194, 106th Cong. (1999), incorporating by reference Senate Bill 1948, 106th Cong. (1999).

²⁹⁴ Osenga, *supra* note 28, at 236.

²⁹⁵ Cohen, *supra* note 65, at 213.

E. Establish a Dedicated Review Panel Staffed with APJs

As of July 29, 2005, a central reexamination unit consisting of twenty highly skilled primary examiners is responsible for *inter partes* reexamination proceedings.²⁹⁶ The intent of the central examination unit was to bring improved quality and timeliness to resolution of reexamination requests by having a highly qualified and dedicated staff for *inter partes* reexamination. Our proposal calls for the retention of the central reexamination unit. However, we recommend that the staffing level be upgraded to Administrative Patent Judges, as opposed to primary examiners, to reflect the experience level needed to address the complex evidentiary and testimonial issues that might arise.

F. Increase Requester Involvement and Extend Time-Frame for Comment to Office Actions

Under the existing *inter partes* reexamination system, the third-party requester may only file written comments to a PTO Office Action if the patentee responds to an Office Action. If the patentee responds, the requester then has only thirty days from the date of service of the patentee's response in which to file comments.²⁹⁷ One tactic a patentee can take to limit the challenger's involvement in the proceeding is to not respond to a PTO Office Action, which precludes the challenger from offering comment relative to the Office Action.²⁹⁸ Additionally, the statutory thirty-day period for the third-party requester to offer comment after the patentee responds to an Office Action may pose an undue burden on the requester and hinder his or her ability to effectively comment on the Office Action and the patentee's response.²⁹⁹ The PTO, in its recent report to Congress on *inter partes* reexamination, identified these two issues, along with the estoppel provision, as rules

²⁹⁶ See Press Release, *USPTO Improves Process for Reviewing Patents*, July 29, 2005, <http://www.uspto.gov/web/offices/com/speeches/05-38.htm>.

²⁹⁷ See *supra* Part II.B.

²⁹⁸ See Analysis of Comments, *supra* note 270, at 2.

²⁹⁹ See Analysis of Comments, *supra* note 270, at 2.

limiting *inter partes* reexamination effectiveness and use.³⁰⁰ The PTO recommended that the *inter partes* rules be amended to permit third-party requesters to present input on Office Actions even if the patentee fails to respond.³⁰¹ The PTO also recommended that the third-party requester's comment period be extended beyond thirty days to allow for a more effective response.³⁰² The authors believe that application of both PTO recommendations to the expanded *inter partes* reexamination protocol would help facilitate its widespread usage.

G. Expand Third Party Involvement via Oral Hearings and Deposition Testimony

To eliminate any perception of inequity between patentees and challengers in the proceeding, the level of involvement of the parties should be equal. In particular, the requester should have access to all papers and filings, and an opportunity to respond to any argument or amendments by the patentee. For example, deposition transcripts should be furnished to both parties. Regarding oral testimony, the challenger should have the opportunity to cross-examine patentee witnesses and experts, and also to call his or her own witnesses to testify.

H. Clarify the Estoppel Provision and Limit Its Use to Legal and Not Factual Determinations

The current estoppel provision is widely recognized as the disadvantage that third-party requesters face that most severely restricts the use of *inter partes* reexamination to challenge patent validity. Under the current estoppel provision, a third-party requester would be estopped from asserting in subsequent litigation any invalidity claim that the requester "raised" or "could have raised" in the *inter partes* reexamination, except for that based upon newly discovered prior art that was unavailable to the challenger at the time of the *inter partes* reexamination.³⁰³ The

³⁰⁰ See Analysis of Comments, *supra* note 270, at 2.

³⁰¹ See Recommendations, *supra* note 271, at 2.

³⁰² See Recommendations, *supra* note 271, at 2.

³⁰³ See 5 U.S.C. § 315(c) (2000).

intent of the provision is to limit undue harassment of patentees from challengers via a multitude of proceedings to challenge validity.

The PTO's position on whether an issue "could have been raised" is decided on a case-by-case basis under a totality of the facts and circumstances approach.³⁰⁴ The PTO does not provide guidance in terms of how extensive a prior art search by a requester must be conducted to avoid the "could have raised" estoppel.³⁰⁵ "Unavailable prior art" is defined as prior art that was "not known to the individuals who were involved in the . . . *inter partes* reexamination proceeding on behalf of the third-party requester and the USPTO."³⁰⁶ However, in spite of this, the statute leaves open to interpretation what constitutes "newly discovered prior art that was unavailable to the challenger." In particular, it is unclear whether "unavailable" or "not known" prior art is that which was not discovered by a prior art search in preparation for filing an *inter partes* request or that which was not published at the time the *inter partes* request was filed.³⁰⁷ In addition, the third-party requester is estopped from challenging in subsequent litigation any fact determined in the *inter partes* reexamination, unless that fact is later proven to be false based on evidence unavailable at the time of the reexamination.³⁰⁸

Given these ambiguities in the estoppel provision, and the lack of procedural options, such as discovery and cross-examination that exist in litigation, potential challengers have been largely unwilling to invoke *inter partes* reexamination and risk its estoppel effect in subsequent civil actions.³⁰⁹ The PTO recommended that the *inter partes* rules be amended to further clarify the requirement

³⁰⁴ See Analysis of Comments, *supra* note 270, at 1.

³⁰⁵ See Analysis of Comments, *supra* note 270, at 1.

³⁰⁶ See Analysis of Comments, *supra* note 270, at 1.

³⁰⁷ *Id.*

³⁰⁸ See Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, § 4607, 113 Stat. 1501 (1999). This section has not yet been codified.

³⁰⁹ See "United States Patent and Trademark Office Report to Congress on *Inter Partes* Reexamination," Progression of USPTO Post-Grant Review section, http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm.

of third parties to raise all issues that “could have been raised except for new prior art that was “unavailable.”³¹⁰ Additionally, the PTO recommended clarification in terms of the degree to which the “unavailable” prior art exception applies.³¹¹ To this end, the PTO advocates that Congress further define the extent and nature of the estoppel risks imposed on third parties.

We propose more drastic revisions to the existing *inter partes* reexamination estoppel provision to not only clarify some of its terms, but also to make substantive modifications to allow parties to litigate certain issues in a subsequent civil action that may have been already raised before the PTO. More specifically, we propose that the “could have been raised” portion of the estoppel provision be abolished under the proposed invalidation proceeding. We also advocate that the exception for “newly discovered prior art that was unavailable to the challenger at the time of the *inter partes* reexamination” be defined as any prior art that the challenger did not have in his possession at the time of filing the *inter partes* request. The extent of a prior art search conducted by the requester prior to filing a request for invalidation would not be relevant to the determination. Lastly, the authors propose that estoppel relative to findings of fact in the PTO proceeding be abolished relative to subsequent civil actions. Hence the proposal envisions a narrow estoppel provision that would encompass only legal determinations relative to invalidity of issues actually raised in the proceeding. This less restrictive estoppel provision would incentivize greater use of the expanded *inter partes* option, as compared to both the current *inter partes* reexamination system and the proposed United States opposition system.

I. Summary

The authors’ proposed invalidation system would be non-time limited and applicable to all non-expired United States patents. The grounds upon which a third party may wage an invalidity challenge would be expanded to include all grounds for

³¹⁰ See “United States Patent and Trademark Office Report to Congress on *Inter Partes* Reexamination,” Recommendations, *supra* note 309, at 1.

³¹¹ See Recommendations, *supra* note 309, at 1.

patentability. The proposed system would also allow for expanded evidence in support of an invalidation request. A new appeal right relative to the determination of whether a substantial new question of patentability exists would be created. Third party involvement would be increased by permitting a requester the opportunity to present comment on Office Actions even if the patentee fails to respond, as well as permitting for oral hearings and testimony. The current estoppel provision would be modified to include only legal determinations relative to invalidity of issues actually raised in the proceeding. The invalidation system would be administered by a dedicated panel of Administrative Patent Judges.

VII. CONCLUSION

The authors believe that, in light of the Japanese and Chinese post-grant opposition experiences, the proposed United States opposition system should not be enacted. To fulfill the need for an effective mechanism for challenging patents in the United States, the authors propose that a non-time limited invalidation system be enacted instead within an expanded *inter partes* reexamination framework. The proposed proceeding would be somewhat of a hybrid system, combining many of the beneficial aspects of the proposed United States opposition system with the existing *inter partes* reexamination system.

The proposed system would be consistent with the Japanese and Chinese systems, but would accommodate issues unique to the United States patent system that differentiate it from the European patent system. The proposed invalidation system would effectively satisfy the goals of the Patent Reform Act of 2005 by providing a speedy, simple, low cost, and efficient method of challenging United States patents to increase their quality and certainty. It would also provide third parties potentially facing patent infringement litigation with an alternative and less costly means to challenge patent validity. In addition, the proposed invalidation system will obviate the overlap and redundancy associated with having both a United States post-grant opposition system and an *inter partes* reexamination system. This will result

in more effective utilization of precious PTO resources, while improving the functioning of the patent system overall.

The authors hope that the invalidation system framework set forth in this article will serve as a useful starting point for designing a simple and effective system for challenging patent validity within the PTO that will be widely utilized when it is implemented.

