

1997

# Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law

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**RETHINKING REEXAMINATION:  
TOWARD A VIABLE ADMINISTRATIVE REVOCATION  
SYSTEM FOR U.S. PATENT LAW**

*Mark D. Janis\**

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## I. INTRODUCTION

After two centuries of American patent law jurisprudence, scholars continue to struggle to delineate the role of the U.S. Patent and Trademark Office (“PTO”) in the American patent system.<sup>1</sup> While scholarship has traditionally focused on the PTO’s role in the patent-granting process, a lingering debate has centered around a critical ancillary question: what role, if any, should the PTO play in regards to *issued* patents? In particular, to what extent should the American patent system provide for an administrative revocation procedure that would give the PTO authority to resolve disputes over the validity of issued patents? This paper seeks to address these questions by analyzing the concept of patent “reexamination”<sup>2</sup> as implemented in U.S. law, by considering the future viability of patent reexamination schemes, and by exploring the implications of incorporating a more ambitious administrative revocation procedure into U.S. patent law.

The law and policy of administrative patent revocation merit scholarly attention for several reasons. First, Congress is in the midst of debating legislative proposals that would “reform” the patent reexamina-

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1. For example, scholars are only now beginning to address basic questions, such as the level of deference that must be applied by courts reviewing PTO determinations. *See, e.g.,* Craig A. Nard, *Deference, Defiance, and the Useful Arts*, 56 OHIO ST. L.J. 1415 (1995) (arguing that courts owe *Chevron* deference to PTO patentability determinations and should apply the “arbitrary and capricious” standard of review to PTO fact findings); R. Carl Moy, *Judicial Deference to the PTO’s Interpretations of the Patent Law*, 74 J. PAT. & TRADEMARK OFF. SOC’Y 406 (1992) (arguing that courts do not owe *Chevron* deference to the PTO). The emerging battle between the PTO and the Court of Appeals for the Federal Circuit over this issue has been characterized recently by surprisingly sharp rhetoric. *See, e.g., In re Kemps*, 97 F.3d 1427, 1430-31 (Fed. Cir. 1996) (applying the “clearly erroneous” standard to review PTO factual determinations and criticizing the PTO for arguing the “arbitrary and capricious” standard).

2. Reexamination is the United States’ limited and cautious experiment with administrative patent revocation. Initially, the concept of patent reexamination enjoyed widespread support. Indeed, President Carter, signing the reexamination provisions into law, hailed them as bringing about “the most significant improvement in our patent laws in more than a century.” 3 PUB. PAPERS 2803 (Dec. 12, 1980); *see also* William T. Fryer III, *New United States Patent Re-examination Process — Background, Explanation and Analysis*, 10 EUR. INTEL. PROP. REV. 290, 293 (1981) (predicting that reexamination would go “a long way towards improving the public benefit from the patent system” by restricting patent claim coverage to its “proper” scope).

However, a few short months later, commentators were already expressing doubts as to whether reexamination could live up to its billing. *See, e.g.,* Kenneth R. Adamo, *Reexamination — To What Avail? An Overview*, 63 J. PAT. OFF. SOC’Y 616, 617 (1981) (“On reflection and with experience . . . it may well be found that reexamination will come up short, and actually fail to perform its intended function . . .”).

tion scheme,<sup>3</sup> yet the debate has proceeded without any major effort to discern the policy vision that reexamination, or administrative revocation more generally, seeks to implement.<sup>4</sup> Second, the prospect of an expanded PTO role in reexamining or administratively revoking issued patents raises profound and difficult Seventh Amendment concerns. Indeed, it seems quite possible that “reforms” to the reexamination procedure will stimulate a Seventh Amendment challenge, potentially yielding far-reaching pronouncements on the prickly question of the right to a jury trial on patent validity generally. Third, decisions about the future of reexamination will undoubtedly have important international ramifications. Domestic patent policy is hardly domestic any longer, and questions about administrative patent revocation in the United States can be expected to figure prominently in future discussions regarding the international harmonization of substantive patent law.

This Article seeks to explore each of these themes by considering

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3. The most recent reexamination reform packages appear in the Omnibus Patent Act of 1997, S. 507, 105th Cong., 143 CONG. REC. S2678, S2680 (daily ed. Mar. 20, 1997) (Title V) and the 21st Century Patent System Improvement Act, H.R. 400, 105th Cong., 143 CONG. REC. H152 (daily ed. Jan. 9, 1997) (Title V).

As of the time of this writing, the fate of the reexamination provisions in the most recent proposals is uncertain. H.R. 400 passed the House, but a last-minute amendment stripped the reexamination provisions from the bill. *See* 143 CONG. REC. D374-01, D374 (Apr. 23, 1997). In the Senate, the Judiciary Committee reported S. 507 to the full Senate in a form that likewise excluded the reexamination provisions. *See* Judiciary Committee Approves Bill to Reorganize PTO, Amend Patent Law, PAT. TRADEMARK & COPYRIGHT DAILY (BNA) (May 27, 1997). The Senate has also produced a report on S. 507 that includes a section-by-section analysis of the reexamination provisions, S. REP. NO. 105-42 (1997).

Reexamination reform provisions have been debated in Congress every year since 1994. *See* S. 1961, 142 CONG. REC. S7897, S7899-S7900 (daily ed. July 16, 1996) (Title V of an omnibus patent law reform legislation); H.R. 3460, 142 CONG. REC. H5173 (daily ed. May 15, 1996) (Title V of an omnibus patent law reform legislation); H.R. 1732, 141 CONG. REC. H5608 (daily ed. May 25, 1995) (freestanding reexamination reform proposal); S. 1070, 141 CONG. REC. S10,655-02 (daily ed. July 25, 1995) (freestanding reexamination reform proposal); S. 2341, 140 CONG. REC. S10,145 (daily ed. July 29, 1994) (freestanding reexamination reform proposal); 140 CONG. REC. S14,073, S14,074 (daily ed. Oct. 4, 1994) (reporting passage of S. 2341 in Senate as amended).

4. Congress' principal inspiration for reexamination reform legislation appears to spring from a report prepared by the 1992 Patent Law Reform Commission, which does provide the beginnings of a policy analysis. *See* ADVISORY COMMISSION ON PATENT LAW REFORM, A REPORT TO THE SECRETARY OF COMMERCE 117-23 (1992) [hereinafter 1992 COMMISSION REPORT]. However, the Report sought to address a broad spectrum of patent reforms, and its policy analysis of reexamination is necessarily attenuated. Current legislative proposals closely track the Reform Commission's recommendations. *See infra* note 223 and accompanying text.

the history of administrative patent revocation in the United States (particularly reexamination), by critically analyzing legislative reform proposals, and by engaging in a comparative analysis to develop proposals for a better model of administrative patent revocation. Part II identifies three principal policy justifications traditionally advanced in debates over administrative patent revocation: the need to restore PTO credibility by providing a curative procedure, the advancement of an international harmonization agenda, and the need to provide a viable alternative to litigation.<sup>5</sup> This Part considers the shifting influence of these policy considerations on patent law reform efforts over the course of the twentieth century. Part II concludes that the first of the policy considerations — the need to supply a curative mechanism — predominated when Congress adopted the patent reexamination procedures. Today, however, owing primarily to the creation of the Court of Appeals for the Federal Circuit, the need to supply a curative mechanism has diminished dramatically, while the need to provide a viable alternative to litigation has become more urgent. Part II insists that the desirability of retaining patent reexamination as the conceptual model for U.S. administrative patent revocation must be reassessed with an appreciation for this dramatic shift in the legal landscape.

Part III provides such an assessment, critically evaluating the desirability of the concept of reexamination by examining the key features of both existing and proposed new reexamination regimes.<sup>6</sup> The existing patent reexamination provisions<sup>7</sup> afford the PTO very narrow jurisdiction to review the validity of issued patents.<sup>8</sup> In addition, the provisions leave primarily to the public<sup>9</sup> the task of initiating reexamina

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5. The justifications clearly may overlap. For example, an administrative revocation system designed primarily as a curative mechanism might, through widespread use, become de facto a viable litigation alternative.

6. This assessment includes not only an analysis of the reexamination procedures themselves, but also a consideration of the impact of specific reexamination procedures on concurrent patent validity litigation, including Seventh Amendment implications.

7. 35 U.S.C. §§ 301-307 (1994).

8. In particular, the reexamination provisions severely limit the patentability issues that can be reviewed in a reexamination proceeding, excluding, ironically enough, the very patentability issues that are among the most likely to have been overlooked in the original examination. *See* 35 U.S.C. §§ 301, 302 (1994) (indicating, when taken together, that the PTO will consider only documentary prior art in reexamination proceedings). For example, nondocumentary evidence that a claimed invention was placed “on sale” or into “public use” in this country more than a year before the patent application filing date cannot support a request for reexamination. 35 U.S.C. § 102(b) (1994). *See infra* Part III.B.

9. *See* 35 U.S.C. § 302 (1994) (providing that “any person” may request reexamination). “Any person” has been construed to include the Commissioner of

tion proceedings, while precluding public participation in the proceedings beyond the initial stages.<sup>10</sup> Reexamination is therefore a kind of mongrel procedure, partly inter partes between requester and patentee, partly ex parte between patentee and the PTO.

Part III asserts that the reexamination scheme is strongly biased toward implementing the vision of reexamination as a curative mechanism, even to the extent of seriously derogating from other legitimate policy objectives. Part III then observes that reexamination reform proposals contain much the same bias. Even though the proposals pay lip service to the goal of providing a viable alternative to validity litigation, the proposals would retain so much of reexamination's crucial conceptual underpinnings as to make the bias inescapable. The reform proposals would create, in effect, little more than a "second generation" reexamination scheme that reinstates an anachronistic policy vision of a curative mechanism.<sup>11</sup> Part III concludes that Congress should recognize the futility of enacting this scheme, which does nearly nothing to address pressing policy concerns about providing patent litigants a viable administrative forum for resolving validity disputes.<sup>12</sup>

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Patents and Trademarks, but the PTO exercises that authority only in the most extreme circumstances. *See infra* note 187 and accompanying text. The patentee may also initiate the reexamination proceeding as a preemptive measure. *See infra* note 308 and accompanying text.

10. *See* 35 U.S.C. § 305 (1995), providing that after the initial stages, reexamination "will be conducted according to the procedures established for initial examination." *See generally infra* Part III.D.

11. Worse yet, as Part III details, "second generation" reexamination would arrive burdened with an accretion of precedent whose quality is mixed, at best.

12. Commentators, for the most part, have endorsed reexamination reforms of the type currently being debated in Congress, and have not sought to challenge the core concept of reexamination. For example, a number of commentators have identified particular procedural flaws in reexamination and have argued for change in the context of the existing scheme. Predominantly, scholars have focused on the restrictions on public participation in reexamination proceedings, arguing that the restrictions have caused reexamination to function suboptimally. *See, e.g.,* Shannon M. Casey, *The Patent Reexamination Reform Act of 1994: A New Era of Third Party Participation*, 2 J. INTELL. PROP. L. 559 (1995) (arguing that limitations on third-party participation severely undermine third parties' incentive to initiate reexamination proceedings); Marvin Motsenbocker, *Proposal to Change the Patent Reexamination Statute to Eliminate Unnecessary Litigation*, 27 J. MARSHALL L. REV. 887, 898 (1994) (arguing, inter alia, that third parties should be given an opportunity to be heard during reexamination on the merits and be given the opportunity to appeal reexamination findings to the courts); Gregor N. Neff, *Patent Reexamination — Valuable, But Flawed: Recommendations for Change*, 68 J. PAT. & TRADEMARK OFF. SOC'Y 575 (1986) (arguing that restrictions on third-party participation should be eliminated). Others have focused on flaws in other aspects of the reexamination procedures. *See, e.g.,* William

Finally, proceeding from the conclusion that reexamination should be discarded as the conceptual model for an administrative revocation scheme, Part IV explores more promising administrative mechanisms. This Part considers existing inter partes practice under U.S. trademark law, as well as patent “opposition” and “revocation” practice abroad, particularly the European patent system. The Part concludes by identifying critical elements that should appear in a U.S. administrative patent revocation system.

## II. SHIFTING POLICY RATIONALES FOR ADMINISTRATIVE PATENT REVOCATION

Those who have advocated the creation of administrative mechanisms for reviewing patent validity have traditionally sought to justify the mechanisms in three primary ways. First, an administrative revocation system might serve as a curative mechanism by which the patent office can correct its own mistakes, reducing the likelihood that a court in any given case will have to reverse the patent office’s determination of patentability. Second, at least in U.S. patent policy debates, an administrative review mechanism could constitute an element of the patent law harmonization agenda, given that the patent laws of most other industrialized nations have long contained provisions

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G. Conger, Comment, *Patent Reexamination Re-examined*, 1986 DET. C.L. REV. 523, 541-48 (observing that reexamination may allow an end-run around the presumption of validity); David A. Lowin, Comment, *Reexamination ‘Catch 22’*, 14 AIPLA Q.J. 218 (1986) (arguing that existing procedures do not allow for meaningful third-party participation); William J. Speranza & Michael L. Goldman, *Reexamination—The Patent Challenger’s View*, 15 AIPLA Q.J. 85, 94 (1987) (arguing that patent challengers should be wary of the “sterile environment” and restricted substantive scope of reexamination); Michael J. Mauriel, Note, *Patent Reexamination’s Problem: The Power to Amend*, 46 DUKE L.J. 135 (1996) (arguing that the patent owner’s ability to amend the patent claims during reexamination hampers the effectiveness of the system).

For two notable exceptions to the view that Congress can rehabilitate reexamination merely by making modest procedural changes, see N. Thane Bauz, *Reanimating U.S. Patent Reexamination: Recommendations for Change Based Upon a Comparative Study of German Law*, 27 CREIGHTON L. REV. 945 (1994) (proposing adoption of an opposition proceeding resembling that employed under German national patent law); James L. Wamsley, *A View of Proposed Amendments to Patent Reexamination Through the Eyes of a Litigator*, 36 IDEA 589, 596 (1996) (concluding that “Congress needs to start from scratch if the reexamination process is to be improved”). The present Article dispenses with the assumption that the concept of reexamination should be the basic model for administrative patent revocation. This Article seeks to demonstrate that more ambitious approaches to administrative patent revocation will have greater resonance in a vigorous U.S. patent system of the future.



for administrative review of patent validity. Third, administrative review might provide an alternative forum for resolving patent validity disputes, largely supplanting litigation as the primary mechanism for reviewing patent validity. The relative importance of these considerations has shifted quite dramatically since the creation of the Court of Appeals for the Federal Circuit, with strong implications for the ultimate design of an appropriate administrative revocation procedure.

*A. Restoring Credibility to the Patent System: Administrative Revocation as a Curative Mechanism*

1. Patent Law Reform Efforts as a Response to Judicial Hostility to the Presumption of Validity

For much of the twentieth century, anti-patent rhetoric resonated powerfully in the federal judiciary. Some judges expressed open hostility to the patent system and seemed bent on marginalizing the patent grant in various ways,<sup>13</sup> unfortunately lending prophetic effect to

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13. *See, e.g.*, *Brenner v. Manson*, 383 U.S. 519, 534 (1966) (articulating a strict utility requirement for patents in the chemical arts: “[A] process patent in the chemical field, which has not been developed and pointed to the degree of specific utility, creates a monopoly of knowledge which should be granted only if clearly commanded by the statute.”); *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 154 (1950) (Douglas, J., concurring) (arguing for an elevated standard of invention: “The Framers plainly did not want those [patent] monopolies freely granted. The invention, to justify a patent, had to serve the ends of science — to push back the frontiers of chemistry, physics, and the like; to make a distinctive contribution to scientific knowledge.”); *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 617 (1950) (Black, J., dissenting) (arguing for a narrow scope to patents: “A host of prior cases . . . have treated the 17-year monopoly authorized by valid patents as a narrow exception to our competitive enterprise system. For that reason, they have emphasized the importance of leaving business men free to utilize all knowledge not preempted by the precise language of a patent claim.”); *Cuno Eng’g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 91 (1941) (limiting patentability: “[T]he new device, however useful it may be, must reveal the flash of creative genius, not merely the skill of the calling.”). In his dissent in *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), Justice Brennan noted:

The patent laws attempt to reconcile this Nation’s deep-seated antipathy to monopolies with the need to encourage progress. Given the complexity and legislative nature of this delicate task, we must be careful to extend patent protection no further than Congress has provided. In particular, were there an absence of legislative direction, the courts should leave to Congress the decisions whether and how far to extend the patent privilege into areas where the common understanding has been that patents are not available.

Justice Jackson's famous warning against judicial intervention in the patent system.<sup>14</sup> Even after the major overhaul of the patent statute in 1952, many judges displayed, at best, mere grudging acceptance of the Act's key provisions.<sup>15</sup>

To some extent, judicial skepticism towards the patent system derived from the general aversion to monopolies<sup>16</sup> and the perceived absence of a satisfactory justification for the patent system based upon economic theory.<sup>17</sup> However, judicial opinions and commentaries from the time also evince another deeply-felt concern: a fundamental lack of trust in the competency of the PTO to discover sources of relevant prior

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*Id.* at 319 (Brennan, J., dissenting).

14. Justice Jackson argued:

It would not be difficult to cite many instances of patents that have been granted, improperly I think, and without adequate tests of invention by the Patent Office. But I doubt that the remedy for such Patent Office passion for granting patents is an equally strong passion in this Court for striking them down so that the only patent that is valid is one which this Court has not been able to get its hands on.

*Jungerson v. Ostby & Barton Co.*, 335 U.S. 560, 572 (1949) (Jackson, J., dissenting).

15. For example, the statutory "obviousness" provision, 35 U.S.C. § 103 (1994) (defining the ultimate criterion of patentability over the prior art), was received coolly, to say the least, in some judicial circles. See, e.g., Giles S. Rich, *Laying the Ghost of the "Invention" Requirement*, 1 APLA Q.J. 26, 34 (1972) ("[M]any courts ignored § 103 altogether, buying the argument that it was merely a 'codification' of the old requirement, which they would therefore apply as they were accustomed to doing. They repeatedly held that no new test had been laid down.").

16. For judicial expressions of distaste for monopolies in the context of the patent system, see, for example, *Mercoind Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665-66 (1944) (speaking of the patent as "the grant of a special privilege" whose limits must be "narrowly and strictly confined to the precise terms of the grant," and proceeding to refer to "the evils of an expansion of the patent monopoly by private engagements" in the course of all but erasing the doctrine of contributory infringement).

17. A mid-twentieth century expression of the failure of economic theory to support the patent system is found in the following oft-cited assertion:

No economist, on the basis of present knowledge, could possibly state with certainty that the patent system, as it now operates, confers a net benefit or a net loss upon society. . . . If we did not have a patent system, it would be irresponsible, on the basis of our present knowledge of its economic consequences, to recommend instituting one. But since we have had a patent system for a long time, it would be irresponsible, on the basis of our present knowledge, to recommend abolishing it.

FRITZ MACHLUP, AN ECONOMIC REVIEW OF THE PATENT SYSTEM 79-80 (Subcommittee on Pat. Trademarks & Copyrights of the Senate Comm. on the Judiciary, 85th Cong., Study No. 15, 1958).

art and apply them properly under the statutory standards,<sup>18</sup> particularly in the context of a confidential ex parte examination process.<sup>19</sup>

The confluence of these attitudes produced predictable results. The mortality rate of patents in the courts was perceived to be notoriously high,<sup>20</sup> strengthening the impression in the judiciary that the PTO did not

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18. See, e.g., *Great Atl. & Pac. Tea*, 340 U.S. at 156 (Douglas, J., concurring) (“The Patent Office . . . has looked with favor on the opportunity which the exercise of discretion affords to expand its own jurisdiction. . . . [I]t has placed a host of gadgets under the armour of patents — gadgets that obviously have had no place in the constitutional scheme of advancing scientific knowledge.”); *Pfizer, Inc. v. Lord*, D.J., 456 F.2d 532, 542 (8th Cir. 1972) (“[The PTO] has got to be the sickest institution that our Government has ever invented. . . . [The PTO] has got to be the weakest link in the competitive system in America.”) (quoting the remarks of Lord, J., from the lower court proceedings).

Learned Hand also contributed a number of less virulent, but perhaps more memorable, comments in this vein. See, e.g., *Lyon v. Boh*, 1 F.2d 48, 50 (S.D.N.Y. 1924) (declaring that patent issuance is more likely the result of the “antlike persistency” of patent lawyers than the merits of the claimed invention). Reportedly, Hand also once remarked that he could have patented the Gutenberg movable type over Gutenberg. *APLA Bull.*, Oct.-Nov. 1970, at 550 (remarks of Dooling, J.) (asserting that Hand “has indelibly impressed on the minds of the circuit courts the idea that fundamentally Patent Office procedure is weak”).

One commentator has gone so far as to designate the mid-twentieth century as the “Dark Ages” for the American patent system, owing in part to the “unprecedented judicial attacks on the scope and validity of patents.” David Silverstein, *Patents, Science & Innovations: Historical Linkages and Implications for Global Technological Competitiveness*, 17 *RUTGERS COMPUTER & TECH. L.J.* 261, 304 (1991). Professor Silverstein attributes the decline of the American patent system in the mid-twentieth century to other factors as well, including the persistent debates over the economic implications of the patent system and the aggressive attitude of the Department of Justice toward antitrust enforcement. See *id.* at 302-08.

19. For an expression of deep-seated antipathy to the ex parte examination system, see, for example, Mary Helen Sears, *One Litigation Lawyer's View of Ex Parte, Secret Patent Procedures*, 2 *APLA Q.J.* 242, 242 (1974) (criticizing the ex parte examination process as “outmoded” and “woefully archaic”).

20. See, e.g., SENATE COMM. ON THE JUDICIARY, 84TH CONG., REVIEW OF THE AMERICAN PATENT SYSTEM 4 (1956) (observing that a study of published district court opinions during the time period 1947-1954 found that more than 50% of patents brought before federal district courts and more than 60% of patents brought before appellate tribunals were invalidated).

These statistics must be viewed with reservation, since a very low percentage of issued patents have ever been litigated. For example, in a later study by the PTO of court determinations of validity and invalidity for the 1968-1972 time period, almost 50% of patents were declared invalid, but only 2,025 patents out of 1,500,000 outstanding at the time (0.15%) were challenged in court. See 120 CONG. REC. 41,143 (1974) (remarks of Senator Fong introducing predecessor legislation to the current reexamination provisions, citing *Patent Office Study of Court Determinations of Validity-Invalidity, 1968-1972*, 144 *PAT. TRADEMARK & COPYRIGHT J.* (BNA) (Sept. 13, 1973)).

know what it was doing, which in turn further increased the likelihood that patents would be struck down in the courts. In the midst of repeated iterations of this cycle, commentators began to question whether the patent grant was at all effective as an instrument for promoting technological advancement.<sup>21</sup>

Most crucially, years of judicial ambivalence towards the patent system resulted in the steady erosion of the presumption that a patent duly issued by the PTO is valid.<sup>22</sup> Although this low regard for the presumption of validity manifested itself for the most part in the form of undertones of judicial decisions, it could be discerned in more concrete forms as well.

In 1934, in *Radio Corporation of America v. Radio Engineering Laboratories*,<sup>23</sup> the Supreme Court observed that the presumption of validity was being given varying effect in the various circuits,<sup>24</sup> then contributed further to the confusion by stating that the presumption of validity could only be overcome by “convincing evidence of error,”<sup>25</sup> but then stating that overcoming the presumption required something more than “a dubious preponderance.”<sup>26</sup>

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21. Former Justice Fortas went so far as to pronounce the patent system “in distress.” Abe Fortas, *The Patent System in Distress*, 53 J. PAT. OFF. SOC’Y 810, 810 (1971).

22. The presumption of validity is a longstanding patent law principle, tracing at least as far back as 1880 in U.S. Supreme Court jurisprudence. See *Parks v. Booth*, 102 U.S. 96, 99 (1880). The presumption was incorporated into the statute in 1952. See 35 U.S.C. § 282 (1994).

A statement from an early 1970’s speech by former Justice Fortas summarizes rather bluntly the then-prevailing judicial attitude toward the presumption:

Of course the law says that a properly issued patent is presumptively valid. But confronted by judicial hostility, this presumption is about as formidable as a silk screen against a machine gun. To many appellate judges, the presumption is something to acknowledge, and then to show that it’s not controlling.

Fortas, *supra* note 21, at 810.

23. 293 U.S. 1 (1934).

24. *Id.* at 7-8 (citing examples).

25. *Id.* at 7.

26. *Id.* at 8. Even this seemingly guarded recognition of the presumption of validity was too much for Justice Black. Dissenting in *Williams Mfg. Co. v. United Shoe Mach. Corp.*, 316 U.S. 364 (1942), he saw no reason, absent express statutory prescription, “for extending the presumption of validity arising from the mere issuance of a patent beyond the narrow compass indicated by [the ‘preponderance’ language] from the *Radio Corporation case*.” *Id.* at 392 (Black, J., dissenting). Indeed, considering the *ex parte* nature of patent examination, Justice Black saw “many positive reasons” for confining the presumption. *Id.* He made clear that the presumption of validity should be no more than a tie-breaker. “At very best, the presumption of validity arising from the mere

This left appellate courts free to confine the presumption of validity as they wished, even after the presumption was codified in the patent statute in 1952. In some jurisdictions, a bare preponderance of the evidence apparently sufficed to overcome the presumption.<sup>27</sup> In addition, many courts treated the presumption of validity as coextensive with the presumption of administrative correctness, so that the presumption dissipated or vanished altogether if the validity challenge rested on prior art that the PTO had never considered.<sup>28</sup> Because such arguments were (and still are) viable in nearly every case, litigants could count on routinely circumventing the presumption of validity.

Policy makers responded to this pervasive atmosphere of animosity toward patents by setting out wide-ranging patent law reform proposals.<sup>29</sup> The proposals generally shared the goal of standardizing judicial treatment of patent validity questions. Some proposals, however, called for changes to substantive patentability standards,<sup>30</sup>

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issuance of a patent might be permitted to tip the scale when other considerations leave the issue of patentability in equilibrium." *Id.* at 393.

27. *See, e.g.*, *Saginaw Prod. Corp. v. Eastern Airlines, Inc.*, 615 F.2d 1136, 1140 (6th Cir. 1980); *Clark Equip. Co. v. Keller*, 570 F.2d 778, 795 (8th Cir. 1978); *Lorenz v. F.W. Woolworth Co.*, 305 F.2d 102, 105 (2d Cir. 1962). Courts in other jurisdictions required quanta of evidence ranging from "greater than a mere preponderance" to "beyond a reasonable doubt." *See Hobbs v. U.S. Atomic Energy Comm'n*, 451 F.2d 849, 856 (5th Cir. 1971) (summarizing a variety of formulations and adopting the "greater than a mere preponderance" standard). The lack of uniform treatment of the level of proof necessary to overcome the presumption presented opportunities for forum shopping, introducing enforcement uncertainties and diminishing the value of the patent grant.

28. *See, e.g.*, *NDM Corp. v. Hays Prod., Inc.*, 641 F.2d 1274 (9th Cir. 1981) (presumption vanishes when new art is cited in litigation); *Sidewinder Marine, Inc. v. Starbuck Kustom Boats & Prods., Inc.*, 597 F.2d 201 (10th Cir. 1979) (presumption diminishes or vanishes when new art is cited in litigation); *Republic Indus. v. Schlage Lock Co.*, 592 F.2d 963 (7th Cir. 1979) (presumption vanishes when new art is cited in litigation); *Steel Case, Inc. v. Delwood Furniture Co.*, 578 F.2d 74 (5th Cir. 1978) (presumption is seriously weakened when new art is cited in litigation); *Parker v. Motorola, Inc.*, 524 F.2d 518, 521 (5th Cir. 1975) (when new art is cited in litigation, courts must "scrutinize the patent claims in suit more closely than when the presumption is at full force").

29. Useful summaries of the legislative history of patent law reform efforts in the mid-twentieth century include P.J. Federico, *Commentary on the New Patent Act*, 35 *U.S.C.A. §§ 1 et seq.* (1954), reprinted in 75 *J. PAT. & TRADEMARK OFF. SOC'Y* 161 (1993) (providing an unofficial legislative history of the 1952 Patent Act); Philip A. Hart, *Patent Reform—An Overview*, 1973 *UTAH L. REV.* 579; Sen. Hugh Scott & Dennis Unkovic, *Patent Law Reform: A Legislative Perspective of an Extended Gestation*, 16 *Wm. & Mary L. Rev.* 937 (1975).

30. For example, the "National Patent Planning Commission" issued a report in 1943 recommending the enactment of "a declaration of policy that patentability shall be

while others focused on procedural changes both to PTO patent examination and to judicial adjudication of patent validity.

Two of the procedural reform proposals merit particular attention. First, reform commission studies recommended that a specialized court of appeals be created and given jurisdiction over patent matters. Implicit in this recommendation was the view that the failure to apply patent law standards uniformly was eroding the value of the patent right, and the further view that judicial hostility to the patent system could be explained in part by judicial ignorance as to matters of science and technology. While a single specialized court of appeals might conceivably be composed of judges who were all hostile to the patent system, at least the hostility would be uniform.<sup>31</sup> The creation of a single court of appeals for patent matters would, at the very least, facilitate market transactions in patent rights by making the presumption of validity more predictable.

Second, the studies advocated the creation of administrative procedures through which the public could compel the PTO to correct

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determined objectively.” REPORT OF THE NATIONAL PATENT PLANNING COMM., 78th Cong. (1943), *reprinted in* 25 J. PAT. OFF. SOC’Y 455, 463 (1943) [hereinafter 1943 COMMISSION REPORT]. Ultimately, the standard of “invention” was, in fact, restated objectively in the obviousness provision of the 1952 Act. *See* *Graham v. John Deere & Co.*, 383 U.S. 1, 14-15 (1966) (asserting that 35 U.S.C. § 103, in view of its legislative history, was designed to focus inquiries on obviousness, rather than on “invention”).

31. For example, one study recommended the creation of a single “Court of Patent Appeals” that “would replace the present independent jurisdictions and should do much to assure uniform treatment of patents.” S. REP. NO. 84-1464, at 7 (1956) (proceeding to observe that, ironically, to the extent that the problem of lack of uniformity had disappeared, it had disappeared only “because the circuits are now uniformly holding patents invalid”).

Earlier reports had expressed similar concerns. For example, one report declared: “No other feature of our law is more destructive to the purpose of the patent system than this existing uncertainty as to the validity of a patent. . . . The present confusion threatens the usefulness of the whole patent system and calls for an immediate and effective remedy.” 1943 COMMISSION REPORT, *supra* note 30, at 462-65. These remarks were made in support of a declaration of policy “that patentability shall be determined objectively,” *id.* at 463, but apply equally to the subsequent recommendation for the creation of a patent appeals court, *see id.* at 465.

its own errors,<sup>32</sup> even in the absence of any infringement proceedings.<sup>33</sup> For example, under one proposal, applications would have been published at allowance and the public given a limited opportunity to submit pertinent prior art for consideration by the PTO.<sup>34</sup> The examiner would have then given the application “a further review in view of any new material brought to light.”<sup>35</sup>

Another proposal would have created a post-grant “cancellation” proceeding.<sup>36</sup> According to this proposal, cancellation proceedings would have to be initiated within six months after the patent grant.<sup>37</sup> However, a compulsory “reexamination” procedure would also have been provided under which district courts hearing patent validity challenges in infringement litigation would be required to obtain an advisory report from the PTO concerning the validity of the patent-in-suit.<sup>38</sup>

Clearly, reformers saw these various administrative review procedures as effectuating the same policy goals that the creation of a unified court of patent appeals would effectuate: enhancing uniform

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32. Proposals for administrative review of patent validity were by no means new to United States patent law. For a particularly early example of the use of the term “reexamination” in connection with administrative review proceedings, see James H. Lightfoot, *A Proposed Department of Invention and Discovery*, 1 J. PAT. OFF. SOC’Y 116, 127 (1918) (proposing “reexamination of allowed claims by a corps of examiners superior to primary examiners,” a procedure more analogous to opposition than to modern-day post-issuance reexamination).

33. U.S. patent law incorporated no strong tradition of enabling public or governmental action to cancel an issued patent outside the context of an infringement dispute. See Harold L. Marquis, *Improving the Quality Control for Patents*, 59 MINN. L. REV. 67, 94 (1974). The Patent Act of 1790 included a provision that allowed individuals to cancel an issued patent upon a showing of fraudulent procurement, but the provision disappeared when Congress revised the patent statute in 1836. See *id.* at 95.

The U.S. Supreme Court held that members of the public could sue in equity for the cancellation of a patent. See *United States v. American Bell Tel. Co.*, 128 U.S. 315 (1888). The court analogized to the British writ of *scire facias*. See *id.* at 368-69.

34. See Science Advisory Board, *Report of the Committee on the Relation of the Patent System to the Stimulation of New Industries*; 18 J. PAT. OFF. SOC’Y 94, 97-99 (1936) [hereinafter *1936 Board Report*].

35. *Id.* at 98.

36. See 1943 COMMISSION REPORT, *supra* note 30, at 460 (“There should be some provision whereby information and facts bearing on the validity of a patent can be brought to the Patent Office thereby giving it an opportunity to reexamine its decision to grant a patent and also to afford the public a full opportunity to challenge the validity and bring about a revocation of an improperly granted patent.”).

37. See *id.* at 461.

38. See *id.* at 464.

application of substantive validity standards<sup>39</sup> and “increasing” the presumption of validity.<sup>40</sup> Given the state of the law on the presumption of validity, it was reasonable to speak of “increasing” or “strengthening” the presumption by the use of administrative review procedures. Administrative review supplied a method for bringing additional prior art references to the PTO’s attention, literally extending the presumption of validity in jurisdictions where the presumption of validity only applied to prior art references actually considered by the PTO.

Administrative review supplied a subtler benefit as well. If the public could invoke the jurisdiction of the PTO to expunge erroneously-issued claims from patents, then courts reviewing those same patents in the course of infringement litigation would have greater assurance that the PTO had conducted a proper prior art search and had applied the results of that search thoughtfully. The corrosive effect of routine patent invalidation on the presumption of validity generally would be abated,<sup>41</sup> improving overall patent “quality.”<sup>42</sup> Administrative review, then, clearly had a potential role as a curative mechanism.

## 2. Failure of Administrative Revocation Procedures Predating Reexamination to Provide an Adequate Curative Mechanism

Policy makers calling for the adoption of administrative review mechanisms for patent validity in the mid-twentieth century were not

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39. See, e.g., 1943 COMMISSION REPORT, *supra* note 30, at 462-464.

40. See, e.g., 1936 Board Report, *supra* note 34, at 97 (“There is needed a change in procedure which will aid the office in raising [substantive patentability] standards, and positively increase the presumption of validity.”).

41. In testimony regarding a 1973 legislative proposal, Professor Stedman argued that the existence of an administrative review procedure

is likely to result in a shift in court attitudes and enable us to get away from the distressing, expensive, complex procedures in which the whole matter of validity is tried all over again before a court. . . . [A] stronger presumption [of validity] would be justified as a result of the opposition procedure because there would be more reasons for believing that a patent was valid once it has been issued.

*Patent Law Revision: Hearings on S. 1321 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Comm. on the Judiciary*, 93d Cong. 393 (1973) (testimony of John C. Stedman) [hereinafter *Hearings on S. 1321*].

42. See, e.g., Thomas E. Popovich, *Patent Quality: An Analysis of Proposed Court, Legislative, and PTO-Administrative Reform — Reexamination Resurrected (Part I)*, 61 J. PAT. OFF. SOC’Y 248, 269 (1979) (concluding that the issuance of low quality patents was attributable to the PTO’s failure to discover and adequately to consider the most relevant prior art, and that patent reform should be directed at these failures).



writing on a clean slate. Administrative review proceedings had long existed in U.S. patent law. None, however, had proved effective as a curative mechanism.

For example, PTO regulations have long contained a provision allowing members of the public to initiate “public use” proceedings against a pending patent application,<sup>43</sup> whereby a member of the public submits to the PTO a showing that the invention claimed in the pending application has been in “public use” or “on sale” (in the sense of 35 U.S.C. § 102(b)) for more than a year before the application’s effective filing date.<sup>44</sup> Public use proceedings would, at first glance, seem to provide a particularly important check on the patent examination process, given that public use or on-sale evidence is often inaccessible as a practical matter to PTO examiners.

Nevertheless, because the examination of pending patent applications has always been *ex parte* and confidential,<sup>45</sup> public use proceedings can only be initiated in those rare instances in which the applicant divulges information about a pending application.<sup>46</sup> Thus, public use proceedings have been exceedingly rare and could not conceivably function as a systemic curative mechanism. The same has been true of “protest” proceedings, under which members of the public could theoretically submit any type of prior art or other information bearing on the patentability of a pending application.<sup>47</sup>

Reissue proceedings also have a long tenure in U.S. patent law and were well entrenched in U.S. patent jurisprudence by the mid-twentieth century.<sup>48</sup> At that time, reissue proceedings could be initiated only by

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43. See 37 C.F.R. § 1.292 (1997); see also Russell E. Levine et al., *Ex Parte Patent Practice and the Rights of Third Parties*, 45 AM. U. L. REV. 1987, 2006-07 (1996) (presenting an overview of public use proceedings).

44. See *id.*

45. See 35 U.S.C. § 122 (1994) (providing that applications shall be held in confidence).

46. See, e.g., *Fraige v. Parker*, 610 F.2d 795 (C.C.P.A. 1979) (originating when party attempted to initiate public use proceedings after learning of contents of pending patent application via discovery process in related civil lawsuit).

47. For the current rule governing protest proceedings, see 37 C.F.R. § 1.291 (1997). See also *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991) (stating that “[a] third party has no right to intervene in the prosecution of a particular patent application to prevent issuance of an allegedly invalid patent”); *Ely v. Manbeck*, 17 U.S.P.Q.2d 1252 (BNA) (D.D.C. 1990) (holding that a protestor may not appeal the favorable decision of a patent examiner); *Gotfredsen v. Banner*, 503 F. Supp. 642, 646 (D.D.C. 1980) (asserting the “well-established” rule that a third party has no standing to challenge patent validity during the pendency of a patent application).

48. For a discussion of the evolution of reissue proceedings, see P.J. Federico, *Intervening Rights in Patent Reissues*, 30 GEO. WASH. L. REV. 603 (1962) (describing

the patentee's admission of the existence of a defect in the original patent, and while reissue files were open to public inspection,<sup>49</sup> third-party participation was limited to the filing of a protest.<sup>50</sup> Accordingly, while reissue provided a mechanism by which at least a few defective patents might be corrected outside the ambit of court validity adjudication, it was incapable in its mid-twentieth century manifestation of functioning as a curative mechanism in any broad manner.

Given the long experience with reissue proceedings, it is not surprising that reformers turned to reissue to provide a basic conceptual framework that might be adapted to operate as a curative mechanism.<sup>51</sup> In 1977, the PTO substantially reformulated existing regulations governing reissue procedures.<sup>52</sup> The new regulations, commonly referred to as the Dann amendments, after the then-presiding Patent Commissioner, allowed reissue applicants to obtain advisory rulings on patentability via a reissue proceeding without admitting the existence of any defect.<sup>53</sup> A patentee could initiate a reissue simply by calling the PTO's attention to "prior art or other information relevant to patentability, not previously considered by the Office, which might cause an examiner to deem the original patent . . . invalid."<sup>54</sup>

The PTO made explicit its goals for the expanded reissue procedure: to "improve the quality and reliability of issued patents."<sup>55</sup> Judges quickly recognized that the procedures could conceivably produce

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four distinct historical periods in the development of the reissue proceeding). For the current provisions governing reissue, see 35 U.S.C. §§ 251-252 (1994); 37 C.F.R. §§ 1.171-1.179 (1997).

49. See 37 C.F.R. § 1.11(b)(1997) (retaining the traditional rule under which reissue files are made available for public inspection).

50. This is also the modern rule. See, e.g., Levine et al., *supra* note 43, at 2008 (asserting that third-party participation in reissues is limited to the filing of a protest before the PTO). Additionally, third-party protestors cannot obtain judicial review of PTO decisions in reissue proceedings. See *Hitachi Metals, Ltd. v. Quigg*, 776 F. Supp. 3, 8 (D.D.C. 1991); *Syntex (U.S.A.), Inc. v. U.S. Pat. & Trademark Office*, 882 F.2d 1570, 1574 (Fed. Cir. 1989).

51. Nonetheless, some observers greeted the promulgation of no-defect reissue regulations with considerable skepticism. See, e.g., Edward S. Irons & Mary Helen Sears, *Patent "Reexamination": A Case of Administrative Arrogation*, 1980 UTAH L. REV. 287 (arguing that the creation of the proceedings was a maneuver on the part of patent owners and the patent bar to forestall judicial scrutiny of improvidently granted patents and, instead, to redirect validity adjudication to the PTO, then viewed as operating under a more generous patentability standard than the courts).

52. See 42 Fed. Reg. 5588 (1977).

53. See 37 C.F.R. § 1.175(a)(4) (1978).

54. *Id.*

55. 42 Fed. Reg. at 5588.

collateral benefits for subsequent infringement litigation.<sup>56</sup>

The Dann Amendments and subsequently-issued guidelines to 37 C.F.R. §§ 1.175 and 1.291<sup>57</sup> also allowed unprecedented opportunities for public participation in reissue procedures. Reissue application files became open to the public,<sup>58</sup> and through the Rule 291 protest procedure, members of the public could file papers for consideration by the reissue examiner, request to participate in interviews, file a brief before the Board of Appeals, and appear at oral argument.<sup>59</sup> Astute practitioners quickly identified a wide range of opportunities presented by this liberal invitation to participate in the reissue process.<sup>60</sup>

The PTO quickly realized that the no-defect reissue procedures were not working as originally envisioned. Significantly more protestor participation than originally anticipated was permitted, giving rise to concerns about delay and harassment.<sup>61</sup> Perhaps by recognizing that it had created a quasi-inter partes, contested proceeding, the PTO could have justified laying out more detailed regulations specifying the

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56. See, e.g., *Fisher Controls Co. v. Control Components, Inc.*, 443 F. Supp. 581, 582 (S.D. Iowa 1977). In granting the defendant's motion to stay infringement litigation pending the outcome of reissue proceedings, the court enumerated several "possible benefits" of the reissue, including limitation of the issues with concomitant reduction in costs, the benefit of the PTO's expert opinion on newly-discovered prior art, and the potential for avoiding further litigation altogether in the event that the reissue results in invalidating the patent or settlement. See *id.*

57. U.S. Patent and Trademark Office, 977 Off. Gaz. Pat. Office 11 (1978).

58. See 37 C.F.R. § 1.11(b) (1997).

59. See 977 Off. Gaz. Pat. Office at 13.

60. See Donald R. Dunner & Charles E. Lipsey, *The New Reissue Practice*, 61 J. PAT. OFF. SOC'Y 68 (1979). Dunner and Lipsey's "rules of thumb" for protests are indicative of the broad role that protestors could potentially play in no-defect reissue proceedings:

1. Accompany your protest with a request for maximum participation in the proceeding, including the right to receive and comment on all papers filed in the PTO, the right to participate in and even initiate interviews with the examiner, and the right to participate in any appeal to the Board of Appeals. . . .
2. To date, protestors have not been limited in the number of papers that are filed. To the extent appropriate, feel free to file responses to the reissue applicant's responses to your protest papers. . . . [9. A]sk for the right to brief and orally argue if the applicant appeals [to the PTO Board of Appeals].

*Id.* at 74-76. Dunner and Lipsey also recommended that in the event the applicant appeals the matter to court, the protestor should request to participate as amicus or should seek to intervene. See *id.*

61. See *PIC, Inc. v. Prescon Corp.*, 485 F. Supp. 1302, 1304-05 (D. Del. 1980) (citing Rene Tegtmeier, *The New Reissue Rules and Guidelines*, in PROCEEDINGS OF THE ABA SEC. OF PAT., TRADEMARK, & COPYRIGHT L. 108, 110 (1979)).

allowable extent of protestor participation. The PTO, however, foresaw just the opposite effect: by owning up to the fact that the proceedings were contested proceedings, the PTO might have been obliged to provide the opportunity for discovery and full-fledged hearings with witness testimony.<sup>62</sup> The PTO thus clung to the notion that even protested reissues fit the general model of *ex parte* examination.<sup>63</sup>

In 1982, the PTO abolished the no-defect reissue practice and severely limited the public's opportunity to protest pending applications and reissues.<sup>64</sup> According to the PTO, the procedures had become unnecessary due to enactment of the reexamination legislation,<sup>65</sup> and placed an undue burden on the PTO.<sup>66</sup> By abolishing no-defect reissues, the PTO made a critical observation about examiner-centered procedures that generally has been overlooked in the current debate over reexamination: patent examiners "are not trained as hearing examiners and have no substantial experience in handling *inter partes* matters."<sup>67</sup>

### 3. Reexamination as a Potential Curative Mechanism

By the mid-twentieth century it was plain that the U.S. patent system needed an antidote to judicial skepticism; it was equally plain that existing administrative review mechanisms could not provide the needed cure. Reexamination was presented as an administrative alternative for arresting the erosion of the presumption of validity.

Legislative support for a reexamination process for administrative review began to build in the late 1960s. Patent reform legislation tracking the 1966 Report of the President's Commission on the Patent

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62. See Tegtmeyer, *supra* note 61, at 111. Regarding "contested case" proceedings generally, see 35 U.S.C. §§ 23, 24 (1994).

63. See *PIC Inc.*, 485 F. Supp. at 1305 n.16 (citing Manual of Patent Examining Procedure [hereinafter MPEP] § 1309.02 (4th ed. 1979)).

64. See Reissue, Reexamination, Protest and Examination Procedures in Patent Cases, 47 Fed. Reg. 21,746 (1982).

65. See *id.* at 21,748-49.

66. See *id.*

67. *Id.* at 21,746.

System<sup>68</sup> (“1966 Commission Report”) was introduced in 1967.<sup>69</sup> Provisions that would have established a first-to-file system and a mandatory pre-issuance publication system were opposed during hearings on this proposal, but provisions for reexamination drew relatively little criticism.<sup>70</sup> Reform efforts continued into the early 1970s, but no revisions were enacted.<sup>71</sup>

Patent law reform returned to the legislative agenda in force in the 93rd Congress. Four separate bills were introduced in the Senate alone,<sup>72</sup> and counterparts to several of the bills were introduced in the House.<sup>73</sup> Legislation that would have allowed for a full-fledged post-

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68. See PRESIDENT’S COMM’N ON THE PATENT SYSTEM, “TO PROMOTE THE PROGRESS OF . . . USEFUL ARTS” IN AN AGE OF EXPLODING TECHNOLOGY, S. DOC. NO. 5 (1967) [hereinafter 1966 COMMISSION REPORT]. See *infra* Part II.B. (discussing this report in further detail).

69. See S. 1042, 90th Cong. (1967), reprinted in 49 J. PAT. OFF. SOC’Y 152 (1967); H.R. 5924, 90th Cong. (1967) (companion legislation to S. 1042). An alternative reform proposal was also introduced in the Senate. See S. 2597, 90th Cong. (1967); see also 113 Cong. Rec. 30,371 (1967) (describing S. 2597 as a compromise between S. 1042 and another reform proposal, S. 1691, 90th Cong. (1967)).

70. See Martin Abramson, *Should the U.S. Adopt a Reexamination System?*, 52 J. PAT. OFF. SOC’Y 407, 408 (1970).

71. See S. 1569, 91st Cong. (1969) (providing a time-limited post-grant reexamination proceeding extending to challenges based on documentary and non-documentary prior art); S. 1246, 91st Cong. (1969) (providing a time-limited “reexamination” proceeding in which the period for initiating the proceeding would have commenced after publication of an allowed patent application); H.R. 12880, 91st Cong. (1969) (companion legislation to S. 1246); S. 643, 92d Cong. (1971); S. 3982, 90th Cong. (1968) (incorporating elements of both S. 1042 and S. 2597); see also Abramson, *supra* note 70, at 409 (discussing S. 1246 and S. 1569). For another contemporary criticism, see Ernest K. Bean et al., *Post Issue Proceedings — Worthwhile or Not?*, 51 J. PAT. OFF. SOC’Y 245, 258 (1969) (arguing against reexamination proposals and in favor of an “open citation” procedure under which the public could submit prior art to the PTO at any time during application pendency or after patent issuance, with the PTO obligated to do nothing other than to place the cited prior art in the patent’s file).

72. See S. 4259, 93d Cong. (1974); S. 2930, 93d Cong. (1974); S. 2504, 93d Cong. (1973); S. 1321, 93d Cong. (1973); see also 120 CONG. REC. 1559, 1570-71 (1974) (reporting the introduction in January 1974, of S. 2930, drafted by the American Patent Law Association); *Hearings on S. 1321*, *supra* note 41, at 42-71 (text of S. 2930, including reexamination provisions at §§ 191-96); 120 CONG. REC. 41,142-62 (1974) (reporting the introduction in December 1974, of S. 4259, containing a reexamination provision); 121 CONG. REC. 2500, 2509 (1975) (reporting the introduction of S. 473, 94th Cong. (1975), in February 1975, including a reexamination provision at § 135).

73. See H.R. 11868, 93d Cong. (1973) (similar to S. 643); H.R. 10795, 93d Cong. (1973); H.R. 7111, 93d Cong. (1973) (companion to S. 1321); see also 119 CONG. REC. 40,582, 40,599 (1973) (reporting the introduction, in December 1973, of H.R. 11868, companion legislation to S. 2930); 122 CONG. REC. 21,751 (1976) (reporting the introduction, in June 1976, of H.R. 14632, 94th Cong. (1976), a freestanding reexamina-

grant opposition proceeding passed in the Senate two years later.<sup>74</sup> The legislation received a mixed reception in the patent community,<sup>75</sup> with a general split between patent practitioners and patent owners on one side and “antitrust” forces on the other.<sup>76</sup> After a hiatus corresponding to the timing of the PTO’s early experimentation with no-defect reissue

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tion proposal). See generally Robert B. Benson, *The New Reexamination Law — A Legislative History*, 9 APLA Q.J. 227 (1981). Benson credits S. 4259 as the progenitor of what eventually passed as the reexamination provisions. See *id.* at 232.

See also Edward F. McKie, Jr., *Proposals for an American Patent Opposition System in the Light of the History of Foreign Systems*, 56 J. PAT. OFF. SOC’Y 94, 98-101 (1974) (criticizing S. 1321 as providing for unduly expensive pre-grant opposition procedures that would be likely to delay patent issuance; criticizing S. 2504 as also entailing significant expense for applicants; and expressing support for post-grant procedures such as those contained in H.R. 11868); cf. Sears, *supra* note 19, at 256 (criticizing S. 2504 and S. 2930 as “watered down” procedures doomed to preserve the status quo because they can only be initiated after the PTO has already decided to issue a patent); Giles S. Rich, *Forward — and Comments on Post Issuance Reexamination*, 4 APLA Q.J. 86, 88-90 (1976) (discussing H.R. 14632).

74. See S. 2255, 94th Cong. (1976); see also 122 CONG. REC. 4530 (1976) (reporting passage of S. 2255).

75. See, e.g., Arthur R. Whale, *Patent Law Revision — A Dark Look at S. 2255*, 59 J. PAT. OFF. SOC’Y 153, 160-61 (1977) (attacking unfettered third-party participation proposal in S. 2255 as “burdensome, complex, and costly,” and predicting that harassment of patent owners would result); see also Thomas E. Popovich, *Patent Quality: An Analysis of Proposed Court, Legislative, and PTO-Administrative Reform — Reexamination Resurrected (Part II-Conclusion)*, 61 J. PAT. OFF. SOC’Y 316, 333-35 (1979) (contrasting the provisions of S. 2255, the “antitrust” bill, and S. 214, 94th Cong. (1975), the “patent bar” bill); cf. John B. Pegram, *Current Proposals for Inter-Partes Proceedings*, 4 APLA Q.J. 57, 70-75 (1976) (urging the patent bar to accept the extent of third-party participation in S. 2255 as an alternative superior to pre-grant opposition procedures appearing in earlier proposals).

For further evidence of the diversity of views on then-pending reexamination proposals, compare Edward J. Brenner, *Patent Law Revision — How Much Do We Really Need?*, 58 J. PAT. OFF. SOC’Y 306, 311 (1976) (advocating the enactment of legislation authorizing post-issuance reexamination to complement the pre-issuance protest proceedings), with Ralph E. Harper, *Patent Reform — A Rational Alternative*, 57 J. PAT. OFF. SOC’Y 391, 396 (1975) (proposing a time-limited proceeding under which the public could merely submit observations regarding allowed patent applications, while the PTO would retain total discretion over whether to act on the observations).

76. See Thomas E. Popovich, *Patent Quality: An Analysis of Proposed Court, Legislative, and PTO-Administrative Reform — Reexamination Resurrected (Part I)*, 61 J. PAT. OFF. SOC’Y 248, 249 (1979) (concluding that although “more than a dozen bills” for patent law reform had been introduced in the decade after the 1966 Commission Report, none had been enacted because the patent community was “sharply divided,” with the “executive branch and the antitrust forces” on one side and “the PTO and patent bar” on the other).

procedures,<sup>77</sup> reexamination proposals reappeared on the legislative agenda.<sup>78</sup> Reexamination finally passed into law in 1980.<sup>79</sup>

Close scrutiny of this legislative history, against the backdrop of then-existing administrative review mechanisms, clarifies a primary purpose of reexamination was to provide the desired antidote to judicial erosion of the presumption of validity.<sup>80</sup> For example, when reexamination proposals returned to the legislative agenda in the late 1970s, the Carter Administration presented reexamination as one of the “significant steps to improve the presumptive validity of issued patents.”<sup>81</sup> The Senate report on the predecessor to the current reexamination provisions declares that reexamination “will help to restore confidence in the effectiveness of our patent system by efficiently bringing to the PTO’s attention relevant [prior art] materials that are missing or have been overlooked.”<sup>82</sup> The House report contains similar language.<sup>83</sup>

Likewise, the Federal Circuit has repeatedly acknowledged the curative aspect of reexamination when considering reexamination’s purposes. In *Patlex Corp. v. Mossinghoff* (“*Patlex I*”),<sup>84</sup> the court observed that:

Congress had an important public purpose in mind

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77. See *supra* notes 58-59 and accompanying text.

78. See S. 2446, 96th Cong. (1980); H.R. 6933, 96th Cong. (1980); S. 1679, 96th Cong. (1979); see also SENATE COMM. ON THE JUDICIARY, 96TH CONG., PATENT REEXAMINATION, S. REP. NO. 96-617 (1980) (reporting on S. 1679); H.R. REP. NO. 96-1307, pt. 1 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6460 (reporting on H.R. 6933, the House counterpart to S. 2446, which was the successor to S. 1679).

79. See 126 CONG. REC. 34,412-13 (1980) (reporting passage of reexamination provisions in December, 1980).

80. Another stated, and seemingly related, purpose for reexamination was to provide an inexpensive alternative to validity litigation. See *infra* Part II.C.1 for further development of this analysis. The current legislative debate over reexamination reform minimizes (or ignores entirely) reexamination’s curative aspect and overemphasizes the ability of reexamination to provide an alternative to court adjudication of validity. See *infra* Part III.D for a criticism of current reform efforts.

81. *Patent Reexamination: Hearings on S. 1679 Before the Senate Comm. on the Judiciary*, 96th Cong. 14 (1979) [hereinafter *Hearings on S. 1679*] (testimony of Sidney Diamond, Comm’r, PTO).

82. SENATE COMM. ON THE JUDICIARY, 96TH CONG., PATENT REEXAMINATION, S. REP. NO. 96-617 at 2.

83. See H. R. REP. NO. 96-1307, pt. 1, at 3 (1980), reprinted in 1980 U.S.C.C.A.N. at 6462 (asserting that the proposed legislation “strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents”).

84. 758 F.2d 594 (Fed. Cir. 1985), *aff’d in part and rev’d in part on reh’g*, 771 F.2d 480 (Fed. Cir. 1985) (“*Patlex II*”).

when it enacted the reexamination statute. The statute was part of a larger effort to revive United States industry's competitive vitality by restoring confidence in the validity of patents issued by the PTO.<sup>85</sup>

Analyzing the propriety of the retroactive application of the reexamination provisions to issued patents against a due process challenge, the court determined that reexamination belongs in the class of "curative" statutes, i.e., those designed to cure defects in an administrative system.<sup>86</sup> To the court, the legislative history of the reexamination statute "makes clear that [reexamination's] purpose is to cure defects in administrative agency action with regard to particular patents and to remedy perceived shortcomings in the system by which patents are issued."<sup>87</sup> The curative aspect of reexamination clearly distinguishes reexamination from reissue.<sup>88</sup> A Federal Circuit panel recently has confirmed the conception of reexamination's purpose as a curative one,<sup>89</sup> while also observing that the reexamination procedures are structured with an eye toward balancing the curative purpose against the potential for harassment of the patentee.<sup>90</sup>

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85. *Patlex I*, 758 F.2d at 601. The court then recited three principal benefits of the reexamination scheme, again reflecting the mixture of concerns about the curative aspects of reexamination and about reexamination's ability to provide an alternative to litigation. First, reexamination based on references not previously included in the patentability examination could supposedly resolve validity disputes more quickly and less expensively than litigation. Second, courts adjudicating validity would benefit from PTO expertise as to references that were of record. Third, reexamination would strengthen investors' confidence in patents whose validity was in doubt because pertinent prior art had not yet been considered by the PTO. *See id.* at 602.

86. *Patlex I*, 758 F.2d at 603. By classifying the reexamination provisions as curative, the court could more readily justify retroactively applying the provisions against the due process challenge. *See id.*

87. *Id.*

88. The *Patlex I* court distinguished the two as follows:

The purpose of reissuance of patents is to enable correction of errors made by the inventor, at the initiative of the inventor. The reexamination statute's purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted.

*Id.* at 604.

89. *See In re Recreative Techs. Corp.*, 83 F.3d 1394, 1396-97 (Fed. Cir. 1996) (citing pertinent portions of *Patlex I* regarding reexamination's purpose).

90. *See id.* at 1397 ("[C]ongress recognized that this broad [curative] purpose must be balanced against the potential for abuse, whereby unwarranted reexaminations can harass the patentee and waste the patent life. The legislative record and the record of the



#### 4. Reexamination Reform and Current Needs for a Curative Mechanism

Reexamination reform has now reached the legislative agenda,<sup>91</sup> yet without a full analysis of the conditions motivating reexamination's enactment in the first instance. Certainly, there has been no further analysis of whether those conditions have so fundamentally changed as to undercut the very basis for adopting reexamination as the preferred form of administrative review of patent validity. The preceding analysis demonstrates that reexamination emerged as a response to judicial hostility towards the patent system as manifested in the erosion of the presumption of validity. Those conditions have changed fundamentally today, and these changes should influence the legislative course regarding administrative review, although, so far, they have not.

Policy makers historically presented administrative review proposals in tandem with proposals to create a unified court of appeals for patent cases.<sup>92</sup> Almost concurrently with the enactment of the reexamination scheme, Congress finally did create the Court of Appeals for the Federal Circuit.<sup>93</sup> That the Federal Circuit has brought a measure of predictability to U.S. patent jurisprudence, and has had a dramatic impact on reversing the entrenched judicial hostility to the patent system, is beyond reasonable debate.<sup>94</sup> One of the most dramatic manifestations of the

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interested public reflect a serious concern that reexamination not create new opportunities for abusive tactics and burdensome procedures.”). *Recreative Technologies* is discussed in more detail *infra* at note 261 and accompanying text.

91. See *infra* Part III for a broader discussion of the proposals.

92. See *supra* note 31 and accompanying text.

93. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982).

94. See, e.g., Rochelle C. Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 24 (1989) (“In sum, the CAFC’s jurisprudence reveals that the court has begun to make patent law more accurate, precise, and coherent.”); Robert L. Harmon, *Seven New Rules of Thumb: How the Federal Circuit Has Changed the Way Patent Lawyers Advise Clients*, 14 GEO. MASON L. REV. 573, 573 (1992) (commenting that as it neared the end of its tenth year, the Federal Circuit was “well on the way” to accomplishing its primary assignment of increasing doctrinal stability in patent law); Lawrence G. Kastriner, *The Revival of Confidence in the Patent System*, 73 J. PAT. & TRADEMARK OFF. SOC’Y 5, 8 (1991) (“The CAFC has not only succeeded in bringing about uniformity and certainty in interpretation of the patent laws — the express purpose for which it was established — but has also significantly enhanced the economic power of patents.”); Harry F. Manbeck, Jr., *The Federal Circuit — First Ten Years of Patentability Decisions*, 14 GEO. MASON L. REV. 499, 499 (1992) (“It is fair to say that the overall verdict of the first ten years is that the Federal Circuit has in the main accomplished the objective for which it was created, and it is to

Federal Circuit's impact is the new judicial respect for the presumption of validity.<sup>95</sup>

The Federal Circuit has dispelled a number of uncertainties attending the presumption of validity. In *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*,<sup>96</sup> the Federal Circuit described the presumption of validity as extending beyond the confines of the presumption of administrative correctness. A court reviewing the validity of claims in an issued patent was required to give effect to the presumption of validity even where the validity challenge was based upon prior art references that had never been considered by the PTO during the examination process.<sup>97</sup> Moreover, the Federal Circuit insisted that nothing less than clear and convincing evidence of facts establishing invalidity would overcome the presumption of validity.<sup>98</sup> The Federal

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be applauded for its achievements.”).

A patent law reform commission reported in 1992 that the Federal Circuit had dramatically transformed U.S. patent law:

Prior to the Federal Circuit, there were numerous problems in the enforcement of patent rights caused by different interpretations of substantive patent law among the various districts. Forum shopping was rampant, the presumption of validity of patents was seriously eroded, and the divergence among districts in application of the standards of validity and infringement led to a tremendous uncertainty in patent rights. Since its inception, the Federal Circuit has greatly assisted in bringing about uniformity, consistency and certainty to the patent law, and this has led to a stabilization of problems in the application of substantive patent law.

1992 COMMISSION REPORT, *supra* note 4, at 77.

95. *See, e.g.*, *Kastriner*, *supra* note 94, at 10-11 (observing that CAFC enforcement of the presumption of validity was one of the first steps taken to materially strengthen the patent grant); *Manbeck*, *supra* note 94, at 504 (asserting that the Federal Circuit's success in bringing certainty to patent law can be traced in part to the fact that the statutory presumption of validity “has acquired meaning in Federal Circuit jurisprudence”).

96. 725 F.2d 1350 (Fed. Cir. 1984).

97. *See id.* at 1359-60. Characterizing the presumption as a procedural device, the court dismissed the notion that the presumption could be “weakened” by, for example, the presentation of new prior art evidence. *See id.* When the validity challenge is based solely upon prior art already considered by the examiner, the challenger has the *added* burden of overcoming the presumption of administrative correctness. *See id.* When the validity challenge is based in part on prior art not considered by the examiner, the presumption of administrative correctness no longer applies, but the presumption of validity remains at full strength. *See id.*

98. *See, e.g.*, *Lindemann Maschinenfabrik GmbH v. American Hoist & Derrick Co.*, 730 F.2d 1452, 1459 (Fed. Cir. 1984); *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1566 (Fed. Cir. 1983).

Circuit has shown no tendency to retreat from this position.<sup>99</sup>

The resulting effect on the viability of reexamination cannot be understated. When the reexamination scheme was considered and enacted, it was meaningful to speak of “strengthening” the presumption of validity by placing additional prior art references before the PTO, given the tendency of many courts to alter the presumption as to new prior art references. The very notion of strengthening the presumption of validity, central to the curative aspect of the reexamination scheme, no longer exists. More broadly speaking, the Federal Circuit has already accomplished the curative task — reversing judicial hostility to the patent system — for which reexamination was designed.<sup>100</sup>

Debates about reexamination reform must therefore begin with the understanding that this principal purpose for passage of reexamination (and perhaps the only purpose that was ever viable) no longer exists. Reexamination, if proposed as a new proceeding today, would lack a sensible basis for passage. If Congress is committed to debating the merits of reexamination today with an eye towards enacting a second generation reexamination scheme (or any other alternative administrative review scheme, for that matter), it must look elsewhere for a sufficient policy justification.

### *B. Administrative Revocation as an Element of the Harmonization Agenda*

The international patent law harmonization agenda began to develop over one hundred years ago, with the signing of the Paris Convention.<sup>101</sup>

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99. *See, e.g.*, *United States Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1564 (Fed. Cir. 1997) (continuing to recite the clear and convincing evidence standard); *Applied Materials, Inc. v. Advanced Semiconductor Materials Am., Inc.*, 98 F.3d 1563, 1569 (Fed. Cir. 1996) (same).

100. This is not to suggest that in the Federal Circuit era, the PTO examination process has somehow become free of defect, but rather that quality control efforts now focus on “reengineering” the PTO examination process. *See, e.g.*, *Patents and Modern Technology: Hearings Before the House Comm. on Science and Technology*, 104th Cong. 4-30 (1996) (statement of Bruce A. Lehman, Comm’r, PTO) (testifying that one of the five goals of the PTO reengineering plan is to “strive to exceed the quality expectations of our customers.”); *see also* 1992 COMMISSION REPORT, *supra* note 4, at 80 (“[P]atent enforcement can be improved by increasing the quality of patent examination at the USPTO. Increased quality of examination will strengthen [sic] the presumption of validity, which in turn will decrease the number of unwarranted challenges to patent validity [and] increase the confidence of the courts in applying the statutory presumption of validity.”).

101. The Paris Convention of 1883 was the first international treaty to deal with intellectual property rights. *See, e.g.*, R. Carl Moy, *The History of the Patent Harmoni-*

The Paris Convention provided important procedural benefits,<sup>102</sup> and could perhaps have served as a springboard for the eventual establishment of uniform substantive standards. However, serious efforts in the United States to adopt uniform substantive standards — either through unilateral action or through international treaty — did not manifest themselves until the mid-1960s, at the earliest.

It is not surprising, then, that patent law reform efforts originating in the intervening time period (i.e., the first half of the twentieth century) show no evidence of having been motivated by a broader harmonization agenda. Given that the United States generally regarded itself at the time as having the world's most highly developed patent examination system,<sup>103</sup> there seems to have been no serious support for large-scale incorporation of foreign standards into U.S. patent law. Moreover, widespread appreciation of the potential influence of substantive intellectual property standards on international trade matters lay many years in the future. While U.S. policy makers certainly considered then-existing European standards for administrative review of patent validity, and while reform proposals generated as a result of these studies would have moved the U.S. closer to European practice, the proposals were motivated primarily by concerns other than harmonization.

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*zation Treaty: Economic Self-Interest as an Influence*, 26 J. MARSHALL L. REV. 457, 478-79 (1993). The literature on patent law harmonization is voluminous. An excellent starting point is HAROLD C. WEGNER, *PATENT HARMONIZATION* (1993); another is Symposium, *The Harmonization of International Patent Law*, 26 J. MARSHALL L. REV. 437 (1993). For other works providing the U.S. perspective on harmonization, see Edward G. Fiorito, *The WIPO "Basic Proposal" for Harmonization of Patent Laws Viewed from the U.S. Practitioner's Point of View*, 19 AM. INTELL. PROP. L. ASS'N Q.J. 24 (1991) (providing a brief overview and commentary on articles of the draft patent law treaty); Kate H. Murashige, *Harmonization of Patent Laws*, 16 HOUS. J. INT'L L. 591 (1994) (providing a broad overview of harmonization-related issues); Robert W. Pritchard, *The Future is Now — The Case for Patent Harmonization*, 20 N.C. J. INT'L L. & COM. REG. 291 (1995) (focusing on the first-to-file issue, prior user rights, and the twenty-year term); and Anthony D. Sabatelli, *Impediments to Global Patent Law Harmonization*, 22 N. KY. L. REV. 579 (1995) (advocating a continued drive towards substantive patent law harmonization notwithstanding national sovereignty issues and the divide between developed and developing countries with regards to the appropriate scope of intellectual property rights).

102. See, e.g., John R. Thomas, *Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement*, 27 LAW & POL'Y INT'L BUS. 277, 289-90 (1996) (summarizing the priority and national treatment provisions of the Paris Convention).

103. See, e.g., 1943 COMMISSION REPORT, *supra* note 30, at 460.

## 1. The Two-Tiered Hierarchy of Administrative Review

For much of the twentieth century, foreign patent systems featured a two-tiered hierarchy for the administrative review of patent validity, comprised of an opposition proceeding coupled with a revocation or “nullity” proceeding. The opposition proceeding was designed to afford members of the public an opportunity to challenge the patentability of patent claims prior to patent issuance, and operated on a fairly simple model:

When the Patent Office has finished its examination and determined that it will allow the patent, a notice is published in the official patent journal of the country. At this time the application becomes open to public inspection and obtaining of copies; in a few countries the entire specification is available in printed form. Within a specified period members of the public may oppose the grant of the patent. . . . The grounds upon which an application can be opposed are in general the same as the grounds upon which a patent can be refused or invalidated.<sup>104</sup>

Revocation proceedings operated very similarly. A revocation provided the public an opportunity to contest patent validity after patent issuance, typically within a predetermined time limit, and on the same grounds that could be raised in an opposition proceeding.<sup>105</sup> In some countries, notably Germany, courts lacked jurisdiction over patent validity, so the revocation proceeding constituted the sole means for contesting validity of an issued patent.<sup>106</sup> In other countries, where courts possessed jurisdiction over patent validity, revocations were available, but more rarely used.<sup>107</sup>

Reform proposals in the United States in the 1930s and 1940s never

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104. STAFF OF SENATE SUBCOMM. ON PAT., TRADEMARKS, & COPYRIGHTS, SENATE COMM. ON THE JUDICIARY, 84TH CONG., OPPOSITION AND REVOCATION PROCEEDINGS IN PATENT CASES (STUDY NO. 4) 2 (Comm. Print 1957) (P.J. Federico, principal author) [hereinafter *OPPOSITIONS AND REVOCATIONS*]. For an extensive comparative study of British, German, Swedish, and Japanese opposition practice as it existed in the mid-1970s, see Symposium, *Opposition Systems*, 4 AM. PAT. LAW ASS'N Q.J. 92, 104-231 (1976).

105. See *OPPOSITIONS AND REVOCATIONS*, *supra* note 104, at 2.

106. See *id.* at 10-11.

107. See *id.* at 6-7 (describing British practice).

fully embraced the two-tiered hierarchy. For example, the 1936 reform report<sup>108</sup> cautiously proposed a limited post-grant opposition procedure with no accompanying revocation procedure.<sup>109</sup> Applications would be published;<sup>110</sup> public comment on published applications would be received, but only from “interested parties,”<sup>111</sup> only “within a stated time,” and based only on patents or printed publications.<sup>112</sup> Congress was not persuaded to enact the proposal into law.<sup>113</sup>

In contrast to the 1936 recommendation, the 1943 National Patent Planning Commission proposed a revocation proceeding unaccompanied by any pre-grant opposition proceeding. Under the proposal, any member of the public would be entitled to initiate a proceeding in the PTO to challenge the validity of an issued patent until six months after patent issuance.<sup>114</sup> The proposal mentioned no restrictions on challengers’ participation, and gave either party the right to appeal an adverse determination directly to the Court of Customs and Patent Appeals.<sup>115</sup> However, responding to concerns about the financial burden on the patentee, the commission recommended that a “public defender” be made available to represent the patentee in the new proceedings.<sup>116</sup> The commission also recommended that district courts adjudicating validity be required to certify the record to the PTO to obtain an advisory opinion as to validity.<sup>117</sup> Once again, however, Congress was not persuaded to act.<sup>118</sup>

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108. *1936 Board Report, supra* note 34, at 97-99.

109. The stated purpose of the procedures, to “aid the Patent Office in increasing the presumption of validity of issued patents,” further evidences that reformers were seeking a curative procedure. *Id.* at 98.

110. *See id.*

111. *Id.* It is not clear from the proposal whether or not this language was intended to impose requirement of standing.

112. *See 1936 Board Report, supra* note 34, at 98 (“Arguments and affidavits should be rigidly excluded. The procedure in the Patent Office should be maintained strictly *ex parte*.”).

113. Three House bills, H.R. 842, 81st Cong. (1949); H.R. 2660, 80th Cong. (1947); H.R. 6985, 76th Cong. (1939), all contained provisions establishing pre-issuance opposition proceedings, but none ultimately passed. *See* OPPOSITIONS AND REVOCATIONS, *supra* note 104, at 16.

114. *See* 1943 COMMISSION REPORT, *supra* note 30, at 460-61.

115. *See id.*

116. *Id.*

117. *See id.* at 464.

118. *See* OPPOSITIONS AND REVOCATIONS, *supra* note 104, at 17. Another early revocation proposal appearing in a preliminary draft of the 1952 Patent Act included a one-year time limitation on initiating revocation, but also provided that in any court action in which validity might be considered, the court could require the validity

The United States rejected these early proposals primarily because of the perception that even a restricted publication and opposition scheme entailed significant private costs. Patent application pendency would be lengthened, generally raising the cost of obtaining patent protection, and there appeared to be few commensurate benefits arising from the existence overseas of much more complicated administrative review proceedings.<sup>119</sup> Moreover, adopting the two-tiered hierarchy would have required the United States to create a scheme for publication of pending patent applications,<sup>120</sup> a matter that remains controversial even today.

Most significantly, no one spoke of the possible benefit that might be achieved by using administrative review procedures as a bargaining chip to bring about important changes in foreign patent laws. Nor did they speak of any benefit that might be achieved simply by implementing an administrative review scheme that resembled the world standard.

When proposals for incorporating some form of the two-tiered hierarchy into United States patent law did begin to emerge,<sup>121</sup> they did not become the subject of serious legislative consideration until the harmonization agenda had taken hold. An important proposal of this nature appears in the 1966 Commission Report,<sup>122</sup> in retrospect a truly remarkable document.<sup>123</sup> The report explicitly recommends pursuit of the international harmonization of patent practice<sup>124</sup> toward the ultimate

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challenger to seek revocation before the PTO. *See id.* at 18-19. This proposal was eliminated without consideration early in the revision process. *See id.* at 19 n.25.

119. *See* OPPOSITIONS AND REVOCATIONS, *supra* note 104, at 16.

120. *See infra* note 483 and accompanying text.

121. For example, Dr. Vannevar Bush, who had served on the commission responsible for the 1936 report, recommended that a limited pre-issuance opposition proceeding (like that proposed in the 1936 report) be instituted, and that an administrative tribunal be created and charged with responsibility for resolving factual disputes relating to patent validity (along with other issues) to assist courts hearing patent disputes. *See* STAFF OF SENATE SUBCOMM. ON PAT. TRADEMARKS & COPYRIGHTS, SENATE COMM. ON THE JUDICIARY, 84TH CONG., PROPOSALS FOR IMPROVING THE PATENT SYSTEM (STUDY NO. 1) 21-23 (Comm. Print 1956) (Vannevar Bush, principal author).

122. *See supra* note 68.

123. Among other things, the document speaks to issues such as a first-to-file system, *see id.* at 5 (Recommendation I), a twenty-year-from-filing patent term, *see id.* at 33 (Recommendation XVIII), publication of pending patent applications, *see id.* at 16 (Recommendation VII), and PTO quality control, *see id.* at 24 (Recommendation XII), in addition to proposals for an expanded administrative review system for patent validity. All are issues of current or recent legislative concern.

124. *See id.* at 55 (Recommendation XXXV); *see also id.* at 4 (listing as one of the Commission's objectives "[t]o make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. patent

goal of a unified world patent system capable of issuing a “universal” patent.<sup>125</sup>

The report also expressly proposed that the United States adopt a form of the two-tiered hierarchy by implementing mandatory publication of pending applications,<sup>126</sup> a limited opposition procedure (denominated a “citation period”),<sup>127</sup> and an *ex parte* cancellation procedure.<sup>128</sup> The Report emphasized the curative aspect of the proposed opposition

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system”).

125. *Id.* at 5 (“The Commission believes that the ultimate goal in the protection of inventions should be the establishment of a universal patent, respected throughout the world, issued in the light of, and inventive over, all of the prior art of the world, and obtained quickly and inexpensively on a single application . . .”).

126. *See* 1966 COMMISSION REPORT, *supra* note 68, at 16-17 (Recommendation VII). The recommendation provided for mandatory publication of pending applications within 18-24 months of their earliest effective filing date. Applications would also have been republished after allowance to ensure that the public had notice of any amendments. *See id.* The report further recommended that damages could be recovered for any acts occurring after publication and before issuance that would have constituted infringement of the issued patent. *See id.* at 32-33 (Recommendation XVII).

127. *Id.* at 23-24 (Recommendation XI). The recommendation contemplated an *ex parte* procedure in which any member of the public could submit to the PTO pertinent prior art patents or printed publications, together with an explanation of their pertinency. *See id.* at 23. The PTO would have been obliged to consider any such submissions if made within six months of the date on which the application was published. *See id.* The procedures would not have replaced the existing *inter partes* “public use” proceedings. *See id.* The Commission explained that it was adopting an *ex parte* procedure out of concern that a full-scale *inter partes* opposition procedure would impose undue costs on applicants. *See id.* at 24.

The report also recommended that the reissue procedure be modified to disallow broadening reissues in part because of a concern that applicants would attempt to use broadening reissues to circumvent the publication/citation period scheme by allowing a relatively narrow set of claims to be published and issued, then filing a broadening reissue. *See id.* at 30-31 (Recommendation XVI).

128. *See id.* at 29-30 (Recommendation XV). Under this recommendation, within three years of patent issuance, members of the public could submit to the PTO pertinent prior art patents and printed publications, together with an explanation of their pertinency and together with payment of a “relatively high fee.” *See id.* at 29. If the PTO made a threshold determination that a claim or claims in the issued patent should not have been allowed, *ex parte* proceedings would have commenced in which the patentee would have been given an opportunity to rebut the PTO determination or to narrow the claims. *See id.* The recommendation also contained a fee-shifting provision obligating unsuccessful third parties to pay the patentee’s attorney fees, as well as a provision relating to concurrent cancellation and litigation proceedings. *See id.* In many respects, this proposal laid out basic features of what later became enacted as the reexamination proceeding. *See generally infra* Part III.



procedure<sup>129</sup> but characterized the cancellation procedure as an alternative to court adjudication of validity.<sup>130</sup>

## 2. Reexamination as a Rejection of the Two-Tiered Hierarchy

Congress, in ultimately enacting the reexamination provisions, rejected (at least in part) the recommendations of the 1966 Commission Report. Reexamination must be understood as a rejection of the two-tiered hierarchy that then dominated world patent systems, and the embracing of a completely new conceptual model for the administrative review of patent validity.

One of the major sponsors of reexamination legislation, Senator Fong, carefully contrasted reexamination proposals with proposals for a pre-issuance opposition procedure. Pre-issuance opposition was disfavored because opposers could unduly delay patent issuance by repeated citations of prior art against the pending application, burdening the applicant with added cost.<sup>131</sup> Moreover, the publication scheme — necessary to the implementation of an opposition procedure — was unacceptable because it would have allowed third parties to infringe freely during the opposition period with no risk of injunction until patent issuance.<sup>132</sup> These are standard, and well-founded, criticisms of pre-issuance opposition, but they do not necessarily explain why reexamination — as opposed to inter partes cancellation procedures — was worthy of enactment.

As to harmonization, Senator Fong argued that adoption of a pre-issuance opposition procedure would actually make U.S. practice *less* compatible with European practice,<sup>133</sup> given that the European patent system then being developed appeared to contemplate a move away from the two-tiered hierarchy.<sup>134</sup> Here again, this argument may have

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129. See 1966 COMMISSION REPORT, *supra* note 68, at 24 (Recommendation XII) (“Under the [opposition] procedure, both [the applicant and the public] would benefit from the greater reliance that could be placed upon the validity of patents in general.”).

130. See *id.* at 29 (asserting that the cancellation procedure would be “faster and less costly than court proceedings”).

131. See 120 CONG. REC. 41,145 (1974) (remarks of Sen. Fong regarding S. 4259).

132. See *id.* Although prior proposals (such as the proposal set forth in the 1966 COMMISSION REPORT, *supra* note 68, at 32-33 (Recommendation XVII)), would have allowed a damages remedy for infringement occurring during the opposition period, Fong apparently doubted that compensation could be calculated satisfactorily and thus considered such provisions “defective.” See 120 CONG. REC. 41,145 (1974).

133. See 120 CONG. REC. 41,166 (1974).

134. Senator Fong actually argued that the European patent system was eliminating opposition proceedings altogether. See *id.* Whatever the nature of reports at the time,

justified the rejection of a pre-issuance opposition proceeding, but does not necessarily justify the creation of an entirely new conceptual model of reexamination coupled with reissue.

### 3. Reexamination Reform and the Harmonization Agenda

The world standard for administrative review of patent validity has shifted away from the two-tiered hierarchy, principally by abolishing or strictly limiting opportunities for pre-grant opposition.<sup>135</sup> However, world patent law has not embraced the U.S. scheme of reexamination coupled with reissue. In this area, the opportunity for harmonization remains, and a reform to the reexamination provisions to make them more like current world practice could be justified as an exercise in pursuit of broader harmonization goals.<sup>136</sup>

Reexamination reform has unquestionably been motivated by a desire to advance the harmonization agenda. A report from the 1992 Patent Law Reform Commission provided the principal stimulus for current legislative proposals to change the reexamination scheme.<sup>137</sup> The 1992 Commission Report, like the 1966 Commission Report, contained strong overtones about the benefits of worldwide harmonization of patent laws,<sup>138</sup> an agenda that was infused with an added urgency given the ongoing negotiations over the Patent Law Treaty<sup>139</sup> and the Trade Related Aspects of Intellectual Property Rights (“TRIPS”) in the General

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this turned out to be inaccurate. The European patent system *did* depart from the two-tiered hierarchy by eliminating pre-grant oppositions, but retained a publication scheme and a post-grant opposition proceeding. Commentators at the time observed that objections to delays and financial burdens imposed by the German pre-grant opposition system likely led to the rejection of pre-grant opposition in the European Patent Convention. See Edward F. McKie, Jr., *Proposals for an American Patent Opposition System in the Light of the History of Foreign Systems*, 56 J. PAT. OFF. SOC’Y 94, 97 (1974). The United Kingdom was also in the process of abolishing its pre-grant opposition procedure as part of the reforms ultimately enacted as the 1977 Patents Act. See *id.* at 95-96 (reporting on the recommendations of a British patent law reform commission, the “Banks Committee”).

135. See *infra* Part IV.

136. See *supra* note 124. The independent value of patent harmonization to the U.S. patent system is a broader question that is worthy of a separate debate on its merits.

137. 1992 COMMISSION REPORT, *supra* note 4, at 117-23. These recommendations were subsequently incorporated into legislative proposals. See *infra* Part III.

138. See 1992 COMMISSION REPORT, *supra* note 4, at 41-71 (providing an extended discussion of harmonization-related issues).

139. See *id.* at 61 (referring to the patent harmonization treaty in connection with the debate over publication of pending patent applications).

Agreement on Tariffs and Trade ("GATT").<sup>140</sup>

The Patent Law Treaty,<sup>141</sup> in fact, contained an article specifically calling for an administrative revocation scheme.<sup>142</sup> The existing U.S. reexamination statute would have complied with the proposed revocation scheme in most aspects, with one major exception: the Patent Law Treaty would have required enhanced opportunities for third-party participation in reexamination on the merits.<sup>143</sup> The 1992 Commission, clearly looking ahead to the passage of the Patent Law Treaty, recommended changes that would have brought the reexamination scheme into

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140. References to draft provisions of the TRIPS appear frequently in the 1992 Commission Report. *See, e.g., id.* at 57 (discussing TRIPS Art. 33 in connection with the debate over the twenty-year patent term).

141. *Draft Treaty Supplementing the Paris Convention for the Protection of Industrial Property as Far as Patents Are Concerned (Patent Law Treaty)*, WIPO Doc. PLT/DC/3 (Dec. 21, 1990) [hereinafter *Patent Law Treaty*], reprinted in *Records of the Diplomatic Conference for the Conclusion of a Treaty Supplementing the Paris Convention for the Protection of Industrial Property as Far as Patents are Concerned*, WIPO Diplomatic Conference, pt. 1, 11-53 (1991); and in Symposium, *The Harmonization of International Patent Law*, *supra* note 101, at 669-703 (appendix A).

142. Article 18(1) of the Patent Law Treaty provided as follows:

(a) Where a patent was granted after substantive examination, any person shall have the right to request the competent Office to revoke the patent, in whole or in part, at least on the ground that, because of one or several documents available to the public, the conditions of novelty or inventive step are not satisfied.

(b) The request for revocation may be presented during a period to be fixed by the Contracting Party which shall commence from the announcement in the official gazette of the grant of the patent and shall not be less than six months.

(c) No request for revocation may be based on grounds of non-compliance with formal or procedural requirements.

(d) No decision may be made by the Office departing from the request unless the person having made the request has had at least one opportunity to present his arguments on the grounds on which the Office intends to depart from the request.

(e) The Office may not revoke the patent, in whole or in part, at the request of a third party, unless the owner of the patent has had at least one opportunity to present his arguments on the grounds on which the Office intends to revoke the patent.

*Patent Law Treaty*, *supra* note 141, at art. 18(1). Article 18(2) would have prohibited pre-grant oppositions altogether, further evidence of the departure from the traditional two-tiered hierarchy. *See id.* at Art. 18(2).

143. Specifically, Article 18(1)(d) would have given a third-party requester an opportunity to present arguments in the event that the patent office intended to "depart" from the request. *See id.*

compliance with the treaty's administrative revocation proposals.<sup>144</sup>

Bilateral harmonization efforts have also motivated reexamination reform. In August 1994, the Secretary of Commerce announced an accord with Japan,<sup>145</sup> formalized by a letter agreement,<sup>146</sup> in which the PTO agreed to implement an "early publication" system<sup>147</sup> and "to introduce legislation to revise current reexamination procedures" in order to institute revised reexamination procedures by January 1, 1996.<sup>148</sup> The revised reexamination procedures were to include expanded grounds for requesting reexamination and expanded opportunities "for third parties to participate in any examiner interviews and to submit written comments on the patent owner's response to any action on the patent under reexamination."<sup>149</sup> In exchange, the Japanese Patent Office agreed to implement measures designed to accelerate patent examination and to replace its pre-grant opposition proceeding with a post-grant proceeding.<sup>150</sup>

Reexamination reform is not, however, necessary to satisfy

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144. See, e.g., Richard C. Wilder, *An Overview of Changes to the Patent Law of the United States After the Patent Law Treaty*, 26 J. MARSHALL L. REV. 497, 530-31 (1993) (discussing amendments needed to conform reexamination to the proposed treaty standard).

145. See Stephen Lesavich, Comment, *The New Japan-U.S. Patent Agreements: Will They Really Protect U.S. Patent Interests in Japan?*, 14 WIS. INT'L L.J. 155 (1995) (providing an overview of the U.S.-Japan patent accords).

146. Letter of Agreement between U.S. Secretary of Commerce Ronald Brown and Japanese Ambassador Takakazu Kuriyama (Aug. 16, 1994) [hereinafter *Brown-Kuriyama Letter*], reprinted in 48 PAT. TRADEMARK & COPYRIGHT J. (BNA) 412 (1994).

147. See *infra* notes 484-86 and accompanying text.

148. *Brown-Kuriyama Letter*, *supra* note 146, at 413.

149. *Id.*

150. See *id.* Japan has implemented the promised changes. See, e.g., Shausaku Yamamoto, *Two Important Amendments of Japanese Patent Law*, 17 EUR. INTEL. PROP. REV. 557 (1995).

Professor Wegner has explained how administrative revocation would fit into a proposed framework for international "patent worksharing." See Harold C. Wegner, *Administrative Patent Revocation*, in FIFTH ANNUAL CONFERENCE ON INTERNATIONAL INTELLECTUAL PROPERTY LAW AND POLICY, FORDHAM UNIV. SCHOOL OF LAW, APR. 3-4, 1997, at 52-53 (an edited version of an opposition study prepared on behalf of AIPLA). Under a patent worksharing system, an applicant would file a provisional application in his or her home country, and then, within a year, file a worksharing application at either the European Patent Office, the Japanese Patent Office, or the PTO. Critically, upon grant by one of the offices, the patent would be subject to administrative revocation in each of the jurisdictions. The United States would need an effective administrative revocation system in order to participate meaningfully in a worksharing arrangement.

international obligations under TRIPS.<sup>151</sup> TRIPS gives member countries broad authority to create and fashion administrative revocation procedures, subject only to compliance with general fairness and due process obligations,<sup>152</sup> as well as a limited requirement for judicial review.<sup>153</sup>

### C. Administrative Revocation as an Alternative to Litigation

#### 1. Litigation Avoidance as a Motivating Factor for the Enactment of Reexamination

Perhaps the most common rationale for creating a system of administrative adjudication is to provide a specialized tribunal to resolve disputes in lieu of traditional court adjudication.<sup>154</sup> The litigation-avoidance rationale has long been associated with proposals for administrative review of patent validity issues. For example, in

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151. For the full text of the TRIPS component of the GATT agreement, see General Agreement on Tariffs and Trade: Multilateral Trade Negotiations Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Apr. 15, 1994, D.O.S. 95-33, 33 I.L.M. 1125, 1197 (Annex 1C: Trade Related Aspects of Intellectual Property Rights) [hereinafter TRIPS]. For an articulate summary of the important substantive provisions in TRIPS, see J.H. Reichman, *Universal Minimum Standards of Intellectual Property Protection Under the TRIPS Component of the WTO Agreement*, 29 INT'L LAW. 345 (1995).

152. See TRIPS, *supra* note 151, at art. 62(4) ("Procedures concerning the acquisition and maintenance of intellectual property rights and, where a Member's law provides for such procedures, administrative revocation and *inter-partes* procedures such as opposition, revocation and cancellation, shall be governed by the general principles set out in paragraphs 2 and 3 of Article 41."); see also *id.* at art. 41(2) (requiring that procedures be "fair and equitable" and not be "unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays"); *id.* at art. 41(3) (requiring that decisions preferably be made in writing, be issued to the parties "without undue delay," and be based only on evidence "in respect of which parties were offered the opportunity to be heard").

153. TRIPS provides that judicial review of final administrative decisions in *inter partes* proceedings "shall be subject to review by a judicial or quasi-judicial authority." *Id.* at art. 62(5). However, no judicial review need be provided in cases of unsuccessful opposition or administrative revocation, provided that patent validity can be challenged in a judicial proceeding. See *id.* In addition, another section also expressly provides that the "opportunity for judicial review of any decision to revoke or forfeit a patent shall be available." *Id.* at art. 32.

154. See, e.g., 1 KENNETH CULP DAVIS & RICHARD J. PIERCE, JR., ADMINISTRATIVE LAW TREATISE § 2.8, at 90-91 (3d ed. 1994) (explaining that agency adjudication offers several potential advantages over court litigation, including cost savings, superior results in terms of "accuracy and consistency," and relief from a burden of litigation that the federal courts "could not possibly assume").

congressional hearings on proposed legislation that would have implemented many of the recommendations of the 1966 Commission Report, a member of the commission testified that the proposed cancellation procedure would make “a very important contribution” toward reducing the expenses associated with challenging patent validity.<sup>155</sup> Indeed, the cancellation procedure was characterized as a “poor man’s declaratory judgment.”<sup>156</sup>

When legislative attention turned to reexamination proposals, rhetoric about reexamination as an alternative to litigation was prominent. The commissioner of the PTO testified that the time and expense associated with judicial resolution of the patent validity issue placed “special hardships on small businesses and individual inventors”<sup>157</sup> and predicted that the reexamination proceedings would “eliminate or simplify a significant amount of patent litigation.”<sup>158</sup> Legislators expected reexamination to reduce substantially the number of patent cases filed in the district courts, which would alleviate a large backlog.<sup>159</sup>

155. *Patent Law Revision: Hearings on S. 2, 1042, 1377, and 1691 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Comm. on the Judiciary pt. 1*, 90th Cong. 95 (1967) (testimony of Simon Rifkind, member of 1966 Commission).

156. *Id.* Simon Rifkind testified that

today a prospective infringer may bring an action for declaratory judgment to declare and [sic] issued patent invalid. That proceeds by the same rules and exactly by the same method as if it were an infringement suit in which the patent owner sued the infringer. That is a costly, elaborate, full-fledged courtroom procedure, with all of the pretrial proceedings and expensive depositions, and so forth. A cancellation procedure is a much more limited business.

*Id.*

157. *Patent Reexamination: Hearings on S. 1679 Before the Senate Comm. on the Judiciary*, 96th Cong. 13 (1979) [hereinafter *Hearings on S. 1679*] (statement of Sidney Diamond, Comm’r, PTO).

[T]here is a problem today with respect to the uncertain reliability of patents and the time and expense required to resolve that uncertainty through litigation. . . . A third party can question the validity of a patent only by means of a patent infringement or declaratory judgment action in Federal court. Almost always, infringement and declaratory judgment suits are expensive, protracted, and uncertain as to outcome.

*Id.*

158. *Id.* at 15-16 (“In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided. . . . In other instances, a reexamination proceeding in the PTO might more accurately define the scope of the patent [claims].”).

159. See SENATE COMM. ON THE JUDICIARY, 96TH CONG., PATENT REEXAMINATION, S. REP. NO. 96-617, at 13 (1980) (reporting on S. 1679).

Generally, assertions about reexamination's capacity to serve as an alternative to litigation were intermingled with assertions about reexamination's curative aspect.<sup>160</sup>

Proponents of reexamination anticipated that reexamination would develop as a true alternative to court adjudication of patent validity disputes, and expected that courts would voluntarily defer to the PTO if given the opportunity. Accordingly, the reexamination proposals that were ultimately enacted contained no provision requiring district courts to stay litigation on a patent pending the outcome of a reexamination proceeding.<sup>161</sup> Importantly, in enacting reexamination, Congress seemed to understand that it was stopping short of fashioning a procedure that would entirely supplant court adjudication of patent validity.

## 2. Changing Notions of the Fact-Finder's Role in Patent Litigation

The paramount issue in modern U.S. patent law jurisprudence is the role of the fact finder in resolving disputes over validity and infringement. Recent attention has focused on articulating the fact-finder's role in interpreting patent claims<sup>162</sup> and in determining equivalency for application of the doctrine of equivalents.<sup>163</sup> At the core of these debates lie fundamental questions about the competency of the fact finder in a patent lawsuit to make determinations that may call for technical

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160. See, e.g., HOUSE COMM. ON THE JUDICIARY, 96TH CONG., AMENDING THE PATENT AND TRADEMARK LAWS, H. R. REP. NO. 96-1307, pt. 1, at 4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6463 (reporting on H.R. 6933, the House counterpart to S. 2446, which was the successor to S. 1679) ("The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system.").

161. See *id.*

The bill does not provide for a stay of court proceedings. It is believed by the committee that stay provisions are unnecessary in that such power already resides with the Court to prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure. It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.

*Id.* See *infra* at Part III.E for an analysis of reexamination's effect on concurrent litigation.

162. See *Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384 (1996) (holding that construction of patent claims is exclusively within the province of the trial court).

163. See *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir. 1995), *rev'd*, 117 S. Ct. 1040 (1997).

expertise<sup>164</sup> and about the extent of Seventh Amendment jury trial rights in patent cases.<sup>165</sup>

These same questions recently have been raised in regard to the adjudication of validity. Their answers have critical implications for the creation of an administrative system of review of patent validity that would take as its charge the replacement of validity adjudication in court. The 1992 Commission Report, while stopping short of presenting any conclusions about the precise extent of Seventh Amendment jury trial rights as to patent validity determinations, advanced the argument that the question of patent validity could be taken away from the jury during litigation and reserved for administrative resolution in the PTO without offending the Seventh Amendment guarantee.<sup>166</sup> Establishing an administrative review mechanism that provided an alternative to validity litigation would be consistent with the apparent goal of several Federal Circuit judges to diminish the jury's role in patent litigation<sup>167</sup> and would deserve serious scrutiny for that reason alone.

Other developments, however, provide a powerful counterindication. Most prominently, in *In re Lockwood*,<sup>168</sup> the Federal Circuit made fundamental pronouncements about the jury's role in determining factual matters underlying validity. Those pronouncements may have a far-reaching effect on the ability of Congress to fashion an administrative review system that supplants validity adjudication.

In *Lockwood*, the patentee demanded a jury trial in an infringement action in which the alleged infringer counterclaimed for a declaratory

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164. See *Markman*, 116 S. Ct. at 1395 (concluding that functional considerations, including the judge's "trained ability to evaluate the testimony in relation to the overall structure of the patent," place judges in a better position than juries to ascertain whether complex technical testimony regarding claim interpretation fully comports with the claim language and patent specification).

165. For an insightful overview of this issue written prior to recent Supreme Court pronouncements, see Martin Adelman, *Patents and the Seventh Amendment*, 153 F.R.D. 177, 236 (1993) (delivered at the Eleventh Annual Judicial Conference of the U.S. Court of Appeals for the Federal Circuit in April, 1993).

166. See 1992 COMMISSION REPORT, *supra* note 4, at 109.

167. This goal is visible in the Federal Circuit's in banc opinion in *Markman*, which the Supreme Court affirmed. See *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (in banc) (holding that the judge is better suited than the jury to interpret patent claims), *aff'd*, 116 S. Ct. 1384 (1996); see also *Hilton Davis*, 62 F.3d at 1538 (Plager, J., dissenting) (characterizing the jury's role in deciding cases under the doctrine of equivalents as "a virtually uncontrolled and unreviewable license . . . to find infringement if they so choose"); *id.* at 1549 (Lourie, J., dissenting) (asserting that the doctrine of equivalents should not be a jury question).

168. 50 F.3d 966 (Fed. Cir.), *vacated sub nom.* *American Airlines v. Lockwood*, 515 U.S. 1182 (1995) (mem.).



judgment of invalidity.<sup>169</sup> The alleged infringer prevailed on a motion for summary judgment of noninfringement, leaving only the invalidity counterclaim, for which the district court struck the jury demand.<sup>170</sup> On writ of mandamus, a Federal Circuit panel held that the Seventh Amendment required reinstatement of the jury trial demand, reasoning that a declaratory action for patent invalidity was more comparable to a lawsuit for patent infringement than to any historical equitable action (such as a *scire facias* action).<sup>171</sup> The Federal Circuit declined to rehear the matter in banc, over a forceful dissent by Judge Nies.<sup>172</sup> The Supreme Court granted certiorari and, when the patentee withdrew his jury trial demand, vacated the grant and remanded the case.<sup>173</sup>

The impact of *Lockwood* on the authority of Congress to create administrative mechanisms for reviewing patent validity is unclear. What does seem clear is that any proposal for strengthening the inter partes character of administrative review proceedings, based upon a desire to fashion a litigation alternative, will raise serious questions about compliance with the Seventh Amendment guarantee. To the extent that such proceedings provide an alternative to litigation by imitating litigation procedurally, it appears that federal courts will closely scrutinize the proceedings to determine whether they more resemble infringement lawsuits or historical equitable actions such as *scire facias*.<sup>174</sup> This debate was played out in the context of the current reexamination scheme prior to *Lockwood* and will emerge again if Congress decides to enact the proposed reexamination reforms.

### 3. Litigation Avoidance as a Motivating Factor for Reexamination Reform

Like many of its predecessor reports, the 1992 Commission Report repeated concerns about “the spiraling cost and complexity associated with enforcement of patent rights,” calling it “one of the most significant problems facing the United States patent system.”<sup>175</sup> Recognizing that reexamination had been presented as an alternative to costly court

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169. See *Lockwood*, 50 F.3d at 968.

170. See *id.*

171. See *id.* at 974-75.

172. See *id.* at 980 (Nies, J., dissenting).

173. See *Lockwood*, 515 U.S. 1182 (1995) (mem.).

174. For a discussion of the Seventh Amendment implications of the proposed new reexamination scheme, see *infra* at Part III.F.

175. 1992 COMMISSION REPORT, *supra* note 4, at 75.

adjudication of validity,<sup>176</sup> the 1992 commission framed the debate over reexamination reform by assessing whether reexamination was meeting “one of its primary purposes — to provide an expert forum as a faster, less expensive alternative to litigation of patent validity.”<sup>177</sup>

Having introduced this fundamental, potentially wide-ranging issue, the 1992 Commission proceeded to narrow the scope of discussion severely. As the 1992 Commission saw it, whether reexamination provided a viable alternative to litigation depended principally, if not solely, on whether third parties perceived the system as unduly restricting their opportunity to participate.<sup>178</sup> While this formulation demonstrates that achieving a viable alternative to litigation is the primary stated rationale for reforming the reexamination system, it promises an easy fix on overly simplistic terms — simply lifting restrictions on third-party participation to render reexamination more like litigation. This approach is singularly problematic.<sup>179</sup>

Moreover, the 1992 commission reflected a strong desire to have it both ways. Desiring to reinvigorate reexamination so that parties would voluntarily submit to it in lieu of validity adjudication, the commission nevertheless shrank from the proposition of creating a true *inter partes* proceeding at the PTO.<sup>180</sup> Thus, the commission recommended the creation of a system that provided an alternative to validity litigation, but did not create “litigation in an administrative forum.”<sup>181</sup>

Reexamination reform proposals have, in fact, proceeded from this misguided premise that the middle ground between existing reexamination and genuine post-grant opposition proceedings must be sought.<sup>182</sup> For example, in 1995, the Commissioner of Patents and Trademarks testified that Congress created the reexamination system “as an expedited, low-cost alternative to patent litigation that could be used to obtain administrative review of certain patent validity questions,” but that restrictions on third-party participation had prevented reexamination

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176. *See id.* at 117.

177. *Id.*

178. *See id.* (“[T]he substantially *ex parte* character of the present system may discourage its use by many third parties as an alternative to validity challenges in court.”).

179. The problems are discussed *infra* at Part III.C.

180. *See* 1992 COMMISSION REPORT, *supra* note 4, at 117 (“As presently constituted, the USPTO is not an appropriate forum for an *inter partes* adversarial proceeding addressing all potential issues of validity.”).

181. *Id.*

182. *See id.* at 57 (prepared statement of G. Griswold) (observing that middle ground exists “[b]y increasing third party participation while retaining the existing reexamination framework.”).

from living up to its potential.<sup>183</sup> According to him, reexamination reform “will make reexamination a more effective inter partes procedure, giving patent owners and third parties alike a speedy, inexpensive and reliable way to resolve important questions related to patent validity.”<sup>184</sup>

These claims demand further scrutiny given the strong evidence that Congress thought that, in enacting reexamination, it was enacting a curative mechanism that might also serve as a litigation alternative. I take up that scrutiny in the next Part.

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183. *Patents Legislation: Hearings on H.R. 359, H.R. 632, H.R. 1732, and H.R. 1733 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong. 39 (1995) [hereinafter *1995 Patents Hearings*] (prepared statement of Bruce Lehman, Comm’r, PTO).

184. *Id.* at 40.

### III. REEXAMINATION AS AN ANACHRONISTIC CONCEPTUAL MODEL

Reexamination, according to many, has failed.<sup>185</sup> A number of commentators have sought to explain the failure by assessing selected features of the existing reexamination scheme against general notions of fairness and administrative efficiency. Another way to analyze reexamination's performance is to ask first whether the critical features that define reexamination as a distinct conceptual model for administrative revocation advance any identifiable policy vision, and then to ask whether that policy vision facilitates advancement of the modern American patent system.

Congress originally envisioned reexamination as providing (1) a means for restoring credibility to the patent system by providing a curative mechanism, and (2) a viable alternative to validity litigation.<sup>186</sup> The following Part argues that Congressional and administrative choices in the implementation of reexamination consistently favored the former policy goal over the latter.

The Part also seeks to demonstrate that this same bias in favor of a curative mechanism is carried over into the proposed "second generation" reexamination scheme, even though the primary motivation for reexamination reform is to create a viable alternative to litigation. A step-by-step comparison of existing reexamination procedures to proposed reforms establishes the folly of choosing reexamination as a conceptual model for administrative revocation in the modern American patent system and exposes additional problems as well, including Seventh Amendment problems.

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185. One prominent practitioner's views are particularly illuminating. Testifying at an administrative hearing conducted by the PTO, Donald Dunner related that he would counsel against third-party filing of reexaminations under almost any circumstances, unless filing a reexamination was the only alternative to going out of business. See *Public Hearing on Expanded Reexamination of Patents Before the Patent and Trademark Office* (Sept. 20, 1995) (on file with author) [hereinafter *Expansion Hearing*].

186. See SENATE COMM. ON THE JUDICIARY, 96TH CONG., PATENT REEXAMINATION, S. REP. NO. 96-617 (1980), at 3-4 (reporting on S. 1679).

*A. Threshold Showing of Mistake:  
The Substantial New Question of Patentability*

Any person<sup>187</sup> at any time<sup>188</sup> may<sup>189</sup> request reexamination.<sup>190</sup> Reexamination is thus unfettered by traditional standing requirements.<sup>191</sup>

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187. This may include any member of the public (including a corporate or governmental entity) or the patent owner. See MPEP § 2212 (6th ed. 1996).

While one may contract away one's right to request reexamination — e.g., by acquiescing in patent validity as part of a settlement agreement — the court is likely to construe the settlement agreement strictly in favor of allowing participation in reexamination. See, e.g., *Joy Mfg. Co. v. National Mine Servs. Co. Inc.*, 810 F.2d 1127 (Fed. Cir. 1987).

In addition, the Commissioner may order reexamination sua sponte. See 35 U.S.C. § 303 (1994) (“On his own initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.”); 37 C.F.R. § 1.520 (1997). Reexamination is initiated by the Commissioner “on a very limited basis such as where a general public policy question is at issue and there is no interest by ‘any other person.’” MPEP § 2212 (6th ed. 1996); see also MPEP § 2239 (6th ed. 1996) (setting forth internal PTO procedures for determining whether to initiate a Commissioner-ordered reexamination). One well-known Commissioner-initiated reexamination proceeding involved U.S. Patent No. 5,241,671, Compton's multimedia patent. For a critical overview, see Terri Suzette Hughes, Comment, *Patent Reexamination and the PTO: Compton's Patent Invalidated at the Commissioner's Request*, 14 J. MARSHALL J. COMPUTER & INFO. L. 379 (1996).

188. Any time, that is, during the period of enforceability of a patent. See MPEP § 2211 (6th ed. 1996). The period of enforceability for these purposes commences after issuance and extends for the patent term, and potentially up to six years afterwards. See 35 U.S.C. § 286 (1994). In addition, if an infringement action was instituted within the time provided in § 286 and is still pending after the expiration of that time period, a reexamination request could still be filed because the patent is still enforceable against the defendant in the infringement action. See MPEP § 2211 (6th ed. 1996). In this regard, reexamination differs from many opposition and revocation proceedings, which may require that the proceedings be initiated within a given time period after patent grant or patent issuance. See *infra* note 435 and accompanying text.

189. Filing a reexamination request is permissive. See, e.g., *In re Continental Gen. Tire, Inc.*, 81 F.3d 1089 (Fed. Cir. 1996) (holding that a district court lacks authority to compel an alleged infringer to file a third-party request for reexamination of the patent in suit in the infringement litigation); cf. Thomas A. Miller, *Court-Compelled Reissue-Reexamination — A Misplaced Exercise of Judicial Discretion*, 86 DICKINSON L. REV. 353, 367-73 (1982) (exploring the issue of court-compelled reissue under the short-lived Dann Amendments to the reissue statute).

190. See 35 U.S.C. § 302 (1994).

191. See, e.g., *Syntex (U.S.A.) Inc. v. United States Pat. & Trademark Office*, 882 F.2d 1570, 1573 (Fed. Cir. 1989) (“The category of third-party requesters is . . . open-ended . . .”); MPEP § 2212 (6th ed. 1996) (“[T]here are no persons who are excluded from being able to seek reexamination.”).

Indeed, the request need not even identify the real party in interest.<sup>192</sup>

However, to initiate reexamination, a requester must satisfy an unusual and ill-conceived threshold requirement. In addition to paying a fee,<sup>193</sup> a reexamination requester must submit a written request demonstrating that a “substantial new question of patentability” exists as to any of the claims of the patent for which reexamination is being sought.<sup>194</sup> The substantial new question of patentability must be evidenced by prior art patents or printed publications.<sup>195</sup>

The substantial new question requirement was designed to perform two related functions. First, as a loose surrogate for a justiciability requirement, the substantial new question requirement seeks to conserve PTO resources by barring threshold consideration of any patentability argument already considered by the PTO during the original prosecution.<sup>196</sup> Second, the requirement attempts to protect patentees from being subjected to reexamination as a mere harassment measure.<sup>197</sup>

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192. See *Syntex*, 882 F.2d at 1573; MPEP § 2212 (6th ed. 1996) (referring to “attorneys without identification of their real clients in interest” as proper requesters).

193. See 35 U.S.C. § 302 (1994). The fee is set at a sufficiently high level to enable the PTO to recoup its costs, and it may also deter the filing of unmeritorious requests. See HOUSE COMM. ON THE JUDICIARY, AMENDING THE PATENT AND TRADEMARK LAWS, H. R. REP. NO. 96-1307, pt. 1, at 6, *reprinted in* 1980 U.S.C.C.A.N. at 6460, 6465.

194. 35 U.S.C. § 303(a) (1994). PTO regulations specify the contents of the request. See 37 C.F.R. § 1.510(b) (1997).

195. See 35 U.S.C. § 302 (requiring that request be based on “any prior art cited under the provisions of section 301”); 35 U.S.C. § 301 (1994) (stating that prior art, for purposes of § 301, consists solely of “patents or printed publications”). The courts and the PTO have strictly limited the purview of “patents or printed publications” to documents meeting the requirements of 35 U.S.C. § 102(d) or (e) (1994), or the patent or printed publication portions of § 102(a) or (b) (1994). See *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (in banc); 37 C.F.R. §§ 1.501(a), 1.510(a)-(b) (1997); MPEP § 2217 (6th ed. 1996) (“The prior art applied may only consist of prior patents or printed publications.”).

This is not to say that the PTO limited itself to the patents and printed publications cited by the requester. See 37 C.F.R. § 1.515(a) (1997) (stating that the examiner is to determine whether a substantial new question of patentability exists “with or without consideration of other patents or printed publications”); MPEP § 2244 (6th ed. 1996) (noting that the “examiner can find ‘a substantial new question of patentability’ based upon the prior art patents or printed publications relied on in the request, a combination of the prior art relied on in the request and other prior art found elsewhere, or based entirely on different patents or printed publications.”).

These same limitations apply to reexamination on the merits, creating a serious weakness in the reexamination scheme. See *infra* Part III.C.

196. See H.R. REP. NO. 96-1307, pt. 1, at 7, *reprinted in* 1980 U.S.C.C.A.N. at 6460, 6466.

197. See, e.g., *Hearing on S. 1679*, *supra* note 157, at 22 (statement of Donald Dunner) (“[S]mall businesses have expressed concern about being harassed. They would

The substantial new question requirement clearly implements the concept of reexamination as a curative mechanism. The requirement forces the requester to make a threshold showing of governmental mistake, strongly reminiscent of the threshold showing applicable to other curative provisions, such as post-trial motions for reconsideration.<sup>198</sup> The Federal Circuit has recognized the criticality of the substantial new question requirement in a curative regime:

The function of reexamination is to increase the reliability of patents thought to be of doubtful validity. That function is reflected in 35 U.S.C. § 303 which requires the Commissioner to determine that there is a

not be harassed under S. 1679 because it has a built-in anti-harassment provision in permitting reexamination to go forward only when the Commissioner finds that a substantial new issue of patentability is raised.”); *Industrial Innovation and Patent and Copyright Law Amendments: Hearings on H.R. 6933, 6934, 3806 & 2414 before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary*, 96th Cong. 594 (1980) [hereinafter *Hearings on H.R. 6933*] (statement of Sidney Diamond, Comm’r, PTO) (“The administration’s bill carefully protects patent owners from reexamination proceedings brought for harassment or spite.”); H.R. REP. NO. 96-1307, pt. 1, at 7, *reprinted in* 1980 U.S.C.C.A.N. at 6460, 6466 (noting that substantial new question requirement will function to “protect patentees from having to respond to, or participate in unjustified examinations”).

198. The reconsideration standard seeks to preserve scarce judicial resources by precluding the movant from merely rehashing litigated issues, just as the substantial new question standard seeks to protect the PTO from retracing the examiner’s steps taken in the original examination. *See, e.g., Publishers Resource, Inc. v. Walker-Davis Publications, Inc.*, 762 F.2d 557, 561 (7th Cir. 1985) (noting that motions for reconsideration are designed “to correct manifest errors of law or fact or to present newly discovered evidence.”); 11 CHARLES ALAN WRIGHT ET AL., *FEDERAL PRACTICE AND PROCEDURE* § 2810.1 (2d ed. 1995) (stating that a party seeking reconsideration must show more than a disagreement with the court’s decision, and that mere recapitulation of the cases and arguments already considered by the court before rendering its original decision fails to carry the moving party’s burden); *see also* MPEP § 2242 (6th ed. 1996).

If the prior art patents and printed publications raise a substantial new question of patentability of at least one claim of the patent, then a substantial new question of patentability is present, *unless it is clear to the examiner that the same question of patentability has already been decided by (1) a final holding of invalidity by a Federal Court or (2) by the Office either in the original examination, the examination of a reissue patent, or an earlier concluded reexamination.*

*Id.* (emphasis added).

Similarly, the reconsideration standard seeks to protect the judgment winner from harassment by limiting the judgment loser’s opportunities to continue litigating at the trial level, just as the substantial new question standard seeks to safeguard the patentee from harassment by competitors.

substantial new question of patentability before a reexamination proceeding can be started. Thus, the substantial new question of patentability is the focal point of every reexamination.<sup>199</sup>

Unfortunately, while the substantial new question requirement makes sense conceptually, experience has demonstrated that the requirement operates suboptimally as an anti-harassment measure.<sup>200</sup> To begin with, the requirement is too amorphous<sup>201</sup> and, as a result, is applied overinclusively.<sup>202</sup> A showing of a substantial new question of patentability is, of course, something less than a showing of prima facie unpatentability.<sup>203</sup> Needing a standard that would particularize this “something less,” the PTO borrowed the “reasonable examiner” materiality standard<sup>204</sup> then being applied to test for transgressions of the

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199. *In re Freeman*, 30 F.3d 1459, 1468 (Fed. Cir. 1994) (citations omitted).

200. A leading scholar goes so far as to characterize the requirement as “pointless.” WEGNER, *supra* note 101, at § 2182, p. 285.

201. See R. Franklin Burnett, *The “Nuts and Bolts” of Patent Reexamination*, 9 AM. INTEL. PROP. L. ASS’N Q.J. 183, 192 (1981) (acknowledging that the phrase “substantial new question” is nowhere defined in the statute and predicting that the contours of the phrase would have to be developed on a case-by-case basis).

202. For example, annual reexamination statistics routinely indicate that reexamination requests are granted in nearly every case. See, e.g., Glenn E. Von Tersch et al., *Strengthening and Weakening the Patent Through Reexamination and Reissue*, in PATENT LITIGATION 1996, at 417, 433 (PLI Pat., Copyrights, Trademarks & Literary Property Course Handbook Series No. 456, 1996) (reporting that requests for reexamination were granted in about 87% of cases in 1995, according to the Annual Report of the Patent and Trademark Office). Despite the remarkable frequency with which requests are granted, reexaminations rarely result in cancellation of all claims of the reexamined patent. See, e.g., *id.* at 434 (reporting a 10% rate of outright cancellation of all claims over a sample period extending from April 2, 1996 to June 11, 1996).

203. See MPEP § 2242 (6th ed. 1996) (“It is not necessary that a ‘prima facie’ case of unpatentability exist as to the claim in order for ‘a substantial new question of patentability’ to be present . . . . The difference between ‘a substantial new question of patentability’ and a ‘prima facie’ case of unpatentability is important.”). See generally *Etter*, 756 F.2d at 857 n.5 (stating that determination on reexamination request “is not directed toward resolution of validity”); *Ex parte Wikdahl*, 10 U.S.P.Q.2d (BNA) 1546, 1547 (Bd. Pat. App. & Interferences 1989) (“The grant of the [reexamination] request is a procedural matter which merely triggers the reexamination proceeding, and is not a substantive determination regarding the validity of the patent.”).

204. Previous editions of the MPEP explicitly relied upon materiality as a first requirement for showing the existence of a substantial new question of patentability. See MPEP § 2242 (5th ed., Rev. 12, July, 1989) (requiring that “the prior art patents and/or printed publications be material to the examination of at least one claim.”). “Materiality” was defined by the same “reasonable examiner” test then used to analyze compliance with the duty of disclosure: “A prior art patent or printed publication is



duty to disclose references to the PTO.<sup>205</sup>

However, the reasonable examiner standard as applied in the context of the duty of disclosure proved notoriously overinclusive, and has been discarded in favor of a standard centered on prima facie unpatentability.<sup>206</sup> Not surprisingly, the reasonable examiner standard has also been applied overinclusively in the context of the “substantial new question” inquiry. Initially, the PTO followed a “rule of doubt,”<sup>207</sup> resolving doubts in favor of finding a substantial new question of unpatentability and thus undermining the provision’s anti-harassment function. The Federal Circuit struck down the PTO’s rule of doubt as contrary to the statutory mandate of 35 U.S.C. § 303,<sup>208</sup> but the ruling seems to have had little practical effect. Examiners still routinely rubber-stamp requests for reexamination and are authorized merely to parrot back the requester’s language as support for the proposition that a substantial new question of patentability exists.<sup>209</sup>

A variety of corollary procedures also motivate overbroad application of the substantial new question requirement. First, the PTO must refund the lion’s share of the reexamination request fee if no substantial new question is found and the request is therefore denied,<sup>210</sup> leading some to argue that the PTO is biased in favor of finding the existence of

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material to the examination of a claim of the patent where there is a substantial likelihood that a reasonable examiner would consider the prior art patent or printed publication important in deciding whether or not the claim is patentable.” *Id.* After materiality was redefined in the context of the duty to disclose, the PTO eliminated the reference to materiality from § 2242, but retained the reasonable examiner standard. *See* MPEP § 2242 (6th ed. 1996).

205. The duty of disclosure is set forth in 37 C.F.R. § 1.56 (1997).

206. *See* 37 C.F.R. § 1.56(b) (1997).

207. *See*, for example, *Patlex I*, 758 F.2d 594, 607 n.12 (Fed. Cir. 1985), which quotes language that formerly appeared in MPEP § 2240 (“Where doubts exist, all questions should be resolved in favor of granting the request [for reexamination].”) and MPEP § 2244 (“Any question as to whether a substantial new question of patentability exists should be resolved in favor of granting the request for reexamination.”).

208. *See Patlex II*, 771 F.2d 480, 487 (Fed. Cir. 1985) (“When Congress enacted 35 U.S.C. § 303 for the purpose of protecting the patentee, it could not have intended an implementation that would negate this protection. We can not endorse such a diversion of the statutory purpose.”).

209. That is, the PTO has a tendency to accept uncritically all facts set forth in the request as true. The MPEP encourages this practice in simple cases, *see* MPEP § 2246 (6th ed. 1996) (stating that the examiner’s statement of the rationale supporting the decision to grant reexamination may, “[i]n a simple case . . . entail adoption of the reasons provided by the requester”), but anecdotal evidence suggests that the practice extends beyond simple cases, whatever “simple” might mean.

210. *See* 37 C.F.R. § 1.26(c) (1997).

a substantial new question.<sup>211</sup> Second, if the PTO determines that a request raises a substantial new question of patentability as to one claim, the PTO will, absent special circumstances, order that all claims be reexamined.<sup>212</sup>

Third, the patent owner has no opportunity to respond to a third party's reexamination request prior to the PTO's determination on the substantial new question of patentability.<sup>213</sup> If the request is granted, the patent owner must proceed with reexamination on the merits; no right is provided for the patent owner to petition or appeal from the grant of a third party's request for reexamination.<sup>214</sup>

The PTO has also tended to view liberally the requirement that the substantial question of patentability be "new." For example, the PTO has considered requests for reexamination to raise a "new" question of patentability where the requests set out new arguments, even if they are based upon prior art references that were already of record.<sup>215</sup> As a

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211. Arguments that the allegedly resultant prejudicial effect rises to the level of a due process violation were rejected in *Patlex II*, 771 F.2d at 487-88.

212. See 35 U.S.C. § 304 (1994) (providing that if the examiner finds that a substantial new question of patentability "affecting any claim of a patent" is raised, the examiner is to order reexamination of "the patent"); MPEP § 2216 (6th ed. 1996) (interpreting § 304 to mean that "if a substantial new question of patentability is found as to one claim, all claims will be reexamined during the *ex parte* reexamination process"); see also MPEP § 2243 (6th ed. 1996).

213. See 37 C.F.R. § 1.530(a) (1997) ("Except [for some requests], no statement or other response by the patent owner shall be filed prior to the determinations [on the substantial new question of patentability]. If a premature response is filed by the patent owner, it will not be acknowledged or considered in making the determination.").

The Federal Circuit has upheld this regulation on curious grounds. In *Patlex II*, the court cited legislative history purportedly evidencing congressional intent that the patentee not be *required* to participate during the threshold period. See *Patlex II*, 771 F.2d at 486 (citing SENATE COMM. ON THE JUDICIARY, 96TH CONG., PATENT REEXAMINATION, S. REP. NO. 96-617, at 16 (1980)). The court's citation misses the point entirely — the patentee before the court *wanted* to participate, but was prohibited from doing so by the regulation under challenge. The court also cited the rulemaking history of the regulation at issue, which expressed a concern that allowing patent owners to respond to third-party requests would cause undue delay. See *id.* at 484.

214. See 35 U.S.C. § 303(c) (1994). By contrast, where the examiner denies the request for reexamination, the requester may petition the Commissioner for reconsideration. See 37 C.F.R. § 1.515 (1997). The Commissioner's decision on the petition, however, is final. See *id.*; MPEP § 2248 (6th ed. 1996).

215. See, e.g., *Ex parte* Chicago Rawhide Mfg. Co., 226 U.S.P.Q. (BNA) 438, 440 (Bd. Pat. App. & Interferences 1984); MPEP § 2242 (5th Ed., Rev. 12, July, 1989) ("Material new arguments or interpretations can raise 'a substantial new question of patentability' as to prior art patents or printed publications already considered by the Office."). The PTO has amended § 2242 materially in view of recent Federal Circuit precedent. See *infra* note 263 and accompanying text.

conceptual matter, viewing reexamination primarily as a curative procedure, the PTO's position is entirely justifiable; ideally, any error of apprehension on the part of the PTO (relating to prior art patents and printed publications) should be curable through reexamination.<sup>216</sup> However, the total effect — the relatively low materiality standard taken together with the loose construction of “new” — is to enhance the potential for subjecting patent owners to unmeritorious reexaminations. This concern carries over to reexamination on the merits.<sup>217</sup>

The reform legislation<sup>218</sup> retains the requirement that the requester make a threshold showing of the existence of a substantial new question of patentability.<sup>219</sup> The decision to retain the threshold showing of mistake is both conceptually flawed and improvident.

As a conceptual matter, it is less than clear why an administrative review system that seeks to provide an alternative to litigation requires any threshold showing of mistake. While the centrality of such a threshold requirement in a curative regime is obvious, it is difficult to discern what function would be performed by the threshold requirement in a revamped administrative system. Indeed, far from serving as the “focal point” for the new reexamination, the substantial new question requirement appears to be nothing more than a gratuitous layer of additional procedure that renders reexamination less attractive as an alternative to litigation.

Even if the substantial new question requirement could be justified conceptually in the new reexamination regime, retaining the requirement would be improvident. Even if the requirement is properly viewed in the new regime as a surrogate for justiciability requirements, its costs clearly exceed its benefits. Far less complicated, more effective standing requirements could be inserted. For example, the third-party requester

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216. See *Chicago Rawhide*, 226 U.S.P.Q. (BNA) at 440.

The public interest may demand a finding that ‘a substantial new question of patentability affecting’ a patent claim has been raised where a reference cited during the prosecution of the patent is presented and viewed in a different light than it was considered during the prosecution of the application which issued as a patent. . . . This is especially true, where, as here, the reference had previously been considered in a secondary manner for a very limited purpose.

*Id.*

217. See *In re Recreative Techs. Corp.*, 83 F.3d 1394 (Fed. Cir. 1996), *discussed infra* note 255 and accompanying text.

218. References to the reform legislation hereinafter are to the 1997 House proposal, H.R. 400, 105th Cong. (1997).

219. See H.R. 400, § 503(b)-(c).

could simply be required to certify that he or she is a party “interested” in the validity of the patent, where “interest” could be defined restrictively — in the manner of the justiciability requirements for a declaratory judgment action — or more liberally — i.e., encompassing parties who can certify that they produce a competitive product or have made definite plans to do so, or that they have other interests which can be specifically articulated and ruled upon.<sup>220</sup>

Alternatively, it is not self-evident that any justiciability requirement at all should be imposed. Wholly frivolous requests for reexamination could be dealt with in the manner that such actions are dealt with in litigation — by the threat of sanctions and an attorneys’ fee award. A one-way fee-shifting provision under which a third-party requester would be liable for the patentee’s reasonable attorneys’ fees if the request fails might be considered.<sup>221</sup>

Finally, the proposed amendments to the statute, together with the PTO’s proposed implementing regulations, simply highlight the irrelevance of the substantial new question requirement under the new reexamination proceedings. Proposed amendments specify that the order of reexamination “may be accompanied by the initial Office action on the merits of the reexamination.”<sup>222</sup> The PTO’s proposed new Rule 935 indicates that the order will “normally” be accompanied by the initial office action on the merits.<sup>223</sup> While it may be possible theoretically that

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220. By comparison, in an action for declaratory judgment of patent invalidity, the declaratory plaintiff must establish that: (1) the patent owner placed the declaratory plaintiff in reasonable apprehension of suit for infringement; and (2) the declaratory plaintiff has actually engaged in, or has made meaningful preparation to engage in, activity that would be subject to an infringement charge. *See Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988).

221. *See infra* note 519 and accompanying text for a concrete recommendation in this regard.

222. H.R. 400, § 503(c).

223. Rules of Practice in Patent Cases: Reexamination Proceedings, 60 Fed. Reg. 41,035, 41,045 (1995) (to be codified at 37 C.F.R. § 1.935) (proposed Aug. 11, 1995). Together, the two proposals effectively implement the 1992 commission’s recommendation that the order for reexamination and the first Office action be “consolidated.” 1992 COMMISSION REPORT, *supra* note 4, at 119 (Recommendation VII-B). Commenting on the recommendation, the Commission explained that:

The recommendation is not intended to change the standard used in determining whether to order reexamination. The examiner would first consider whether a request raises a substantial new question of patentability. If the request does not meet the standard, the examiner would issue a notice to that effect. If, however, a reexamination is deemed appropriate, the examiner would then consider whether a prima facie case of unpatentability exists.

*Id.*

an examiner would find the cited references in the request to be material (and thus to raise a substantial new question of patentability) and yet find that the cited references (alone or in combination with other art) do not establish a prima facie case of unpatentability, it seems far more likely that the supposedly distinct inquiries will collapse into a single inquiry. As a consequence, the substantial new question determination will be indistinguishable from the initial determination on the merits. De facto, the substantial new question requirement will be irrelevant. It should be expunged from legislative proposals.<sup>224</sup>

### *B. Limitations on the Substantive Scope of Reexamination Proceedings*

If the PTO determines that a reexamination request demonstrates a substantial new question of patentability regarding at least one of the patent claims,<sup>225</sup> the PTO orders reexamination on the merits.<sup>226</sup> 35 U.S.C. § 305 specifies that reexamination, when ordered, occurs “according to the procedures established for initial examination under the provisions of section 132 and 133 of this title.”<sup>227</sup> Two main issues

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224. Another unfortunate proposal relating to threshold matters concerns the proposed fee for initiating reexamination proceedings. The PTO’s proposed regulatory package includes amended regulations that would raise sharply the fees for filing a third-party reexamination request. *See* Rules of Practice in Patent Cases: Reexamination Proceedings, 60 Fed. Reg. at 41,040 (to be codified at 37 C.F.R. § 1.20(c)) (proposing an \$11,000 fee). While the PTO has set fees in anticipation of the added PTO resources necessary to deal with enhanced third-party participation, *see* 60 Fed. Reg. at 41,036 (asserting that the new fee “takes into account the estimate that the examiner will spend twice the amount of time examining a case where a third party requester is present and additional costs incurred during the appellate stages incident to additional processing steps required in the third party proceedings”), observers have already expressed concerns that the high fee will deter many meritorious requests and could alone effectively preclude, or at least retard, the emergence of reexamination as a true litigation alternative. *See, e.g., Expansion Hearing, supra* note 185, at 7 *et seq.* (statement of Donald Dunner) (suggesting that the high fees may “result in less than an ideal use of the reexamination procedure”).

225. To make this determination, the PTO reviews the request “with or without consideration of other patents or printed publications.” 35 U.S.C. § 303(a) (1994).

226. Before reexamination on the merits actually commences, the patent owner may file a patent owner’s statement and may amend the claims, and the requester may reply to the patent owner’s statement. *See* 35 U.S.C. § 304 (1994). Patent owners often forego the opportunity to file a patent owner’s statement, thereby cutting off the requester’s reply opportunity.

227. 35 U.S.C. § 305 (1994). The internal references are to a provision authorizing the applicant to respond to an examiner’s rejection, *see* 35 U.S.C. § 132 (1994), and a provision setting forth time periods within which such responses must be filed, *see* 35

have arisen in interpreting this language, both dealing with the question of how the language dovetails with the substantial new question of patentability requirement. First, does the language permit reexamination on any legal theory bearing on patentability, whether or not based upon prior art? Or, alternatively, must the examiner limit himself to the theories of anticipation and obviousness based only upon prior art patents and printed publications, that subset of prior art that can serve as the basis for a showing of the existence of a substantial new question of patentability?

Second, does this language permit reexamination to proceed on “old” issues (for example, the same legal theory applied to the same prior art that the original examiner considered), or must the examiner restrict himself to new issues of patentability? Further, if the examiner indeed must restrict himself to new issues, does this include any new issue, or only the new issues identified in the request and adjudged to raise a substantial new question of patentability?

The PTO, with the endorsement of the Federal Circuit, has answered the first question definitively. During reexamination, the PTO examines the patent claims on the basis of prior art patents or printed publications only.<sup>228</sup> The PTO departs from this norm in only three very modest ways: double patenting,<sup>229</sup> admitted prior art,<sup>230</sup> and (for new and

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U.S.C. § 133 (1994).

228. See *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1990) (“Patent claims are reexamined only in light of patents or printed publications under 35 U.S.C. §§ 102, 103. . . .”) (construing 37 C.F.R. § 1.552(a)). The PTO does not, however, limit itself to those patents and printed publications cited in the request or adjudged to support the finding of a substantial new question of patentability. See MPEP § 2256 (5th ed. 1989) (listing sources of prior art patents and printed publications to be considered by the examiner during reexamination). The section specifies that while the “primary source of prior art” will be the patents and printed publications cited in the request, “[t]he examiner *must* also consider patents and printed publications” from a wide variety of other sources, including references “discovered by the examiner in searching.” *Id.* (emphasis added). This does not mean that the examiner must conduct a search. See MPEP § 2254 (6th ed. 1996) (“A full search will not be made routinely by the examiner.”).

229. The PTO formerly claimed that double patenting was “normally proper for consideration in reexamination.” MPEP § 2258 (5th ed., rev. 12, July 1989) (citing *Ex parte Obiaya*, 227 U.S.P.Q. (BNA) 58, 60 (Bd. Pat. App. & Interferences 1985)). In the writer’s experience, the PTO did not consistently adhere to this rule. Indeed, the PTO now takes the position that double patenting may be raised in a reexamination proceeding only “[u]nder limited circumstances, e.g., where new or amended claims are presented.” MPEP § 2258 (6th ed. 1996).

Recently, a panel of the Federal Circuit held that the PTO is authorized to consider double patenting in formulating rejections in a reexamination. See *In re Lonardo*, 119 F.3d 960 (Fed. Cir. 1997). The court reached this result through a considerable feat of

amended claims only) compliance with “the requirements of 35 U.S.C. 112”<sup>231</sup> and the new matter prohibition of 35 U.S.C. § 132.<sup>232</sup>

Accordingly, examiners are precluded from considering numerous legal theories, and numerous categories of prior art, in reexamination. Non-prior art-based legal theories such as the existence of statutory subject matter,<sup>233</sup> utility,<sup>234</sup> adequacy of the description,<sup>235</sup> and inventorship,<sup>236</sup> all open to consideration in an original examination, fall outside the purview of reexamination.<sup>237</sup> Critical categories of prior art, such as

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statutory interpretation, reasoning that the phrase “patents and publications” appearing in 35 U.S.C. § 303(a) (1994) was unadorned by the adjective “prior art” and therefore could extend to patents used in a double patenting rejection. *See id.* at 966. The court also considered its result consistent with remarks in the legislative history concerning limitations to the substantive scope of reexamination. As the court put it, the double patenting analysis lay “well within the PTO’s everyday expertise” and did not place any substantial increased cost burden on the PTO. *Id.*

Judge Newman’s counterarguments in dissent provide another illustration of the close link between the substantive scope limitations and the purposes underlying reexamination. To Judge Newman, the majority altered the “carefully designed compromise” between the advantages of PTO resolution of issues and “the disadvantages of potential harassment of patentees.” *Id.* at 968. Echoing concerns expressed in *In re Recreative Techs. Corp.*, 83 F.3d 1394 (Fed. Cir. 1996), Judge Newman averred that “[l]imitation of reexamination to prior art was the legislative response to concerns lest the life of an issued patent be wasted and the patentee’s legitimate rights be abused by third party requests for reexamination, for there are myriad grounds on which patentability is subject to challenge.” *Id.*

230. The PTO has taken the position that an admission by the patent owner relating to *any* prior art (e.g., on sale, public use, etc.) established in the record or in court may be used by the examiner in combination with patents or printed publications in a reexamination proceeding. MPEP §§ 2217, 2258 (6th ed. 1996) (implementing *Ex parte* McGaughey, 6 U.S.P.Q.2d (BNA) 1334 (Bd. Pat. App. & Interferences 1988)). The Federal Circuit has not ruled on the issue to date. *Cf. Ex parte* Raychem Corp., 25 U.S.P.Q.2d 1265 (Bd. Pat. App. & Interferences 1992) (holding it proper during reexamination on the merits for the examiner to rely upon a reference that was not prior art but provided evidence as to how one of ordinary skill in the art would understand a particular prior art disclosure).

231. 37 C.F.R. § 1.552(b) (1997). In practice, this has meant that the PTO will ensure that the claim meets the requirements of the *second* paragraph of 35 U.S.C. § 112 (1994), which requires the applicant (or in the case of reexamination, the patentee) to “particularly point out and distinctly claim” that which the applicant/patentee considers to be his invention. 35 U.S.C. § 112, para. 2 (1994).

232. *See* 37 C.F.R. § 1.552(b).

233. *See* 35 U.S.C. § 101 (1994).

234. *See id.*

235. *See* 35 U.S.C. § 112, para. 1.

236. *See* 35 U.S.C. § 116 (1994).

237. Inequitable conduct, another frequently invoked defense, also falls outside of the reach of reexamination. *See In re Lanham*, 1 U.S.P.Q.2d (BNA) 1877 (Comm’r Pat.

the public use<sup>238</sup> and on-sale<sup>239</sup> bars, cannot be considered during reexamination,<sup>240</sup> nor can a variety of other less-frequently invoked sources of prior art.<sup>241</sup> As to any of these issues, the examiner in reexamination can do no more than make a record.<sup>242</sup> Not surprisingly, the stark discontinuity between the substantive scope of reexamination and the substantive scope of validity litigation dissuades third parties from choosing reexamination over litigation,<sup>243</sup> or precludes them from doing so altogether depending upon the nature of their invalidity evidence.

By restricting the substantive scope of reexamination proceedings to patentability issues involving documentary prior art, Congress signaled its willingness to fashion an administrative revocation procedure that was biased against the goal of providing a litigation alternative, in favor of other goals. The legislative history makes amply clear that this containment of the scope of reexamination was deliberate.<sup>244</sup> To

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& Trademarks 1986) (holding that inequitable conduct is not included among the questions set forth in 37 C.F.R. § 1.552(a)-(b) and therefore will not be considered in reexamination); *Stewart Sys. Inc. v. Commissioner of Pat. & Trademarks*, 1 U.S.P.Q.2d (BNA) 1879 (E.D. Va. 1986) (same). However, inequitable conduct is not considered in original examination, either.

238. *See* 35 U.S.C. § 102(b) (1994).

239. *See id.*

240. *See, e.g., Quad Envtl. Techs. Corp. v. Union Sanitary Dist.*, 946 F.2d 870, 875 (Fed. Cir. 1991) ("Questions of public use and on sale were explicitly excluded by statute from those issues on which reexamination could be obtained."); 37 C.F.R. § 1.552(c) (1997); MPEP § 2258 (5th ed. 1985) ("Rejections will not be based on matters other than patents or printed publications, such as public use or sale. . . . A rejection on prior public use or sale . . . cannot be made even if it relies upon a prior patent or printed publication.").

241. *See* 35 U.S.C. § 102 (1994) (listing sources such as prior use, prior knowledge, abandonment, derivation, and prior invention).

242. *See, e.g., Etter*, 756 F.2d at 857 n.4 ("If a patent owner requests reexamination, but desires consideration of wider issues, e.g., prior public use or sale, he must obtain such consideration by filing a reissue application."); *see also* MPEP § 2258 (6th ed. 1996).

If questions other than [anticipation or obviousness issues based upon prior art patents or printed publications] are discovered during a reexamination proceeding, the existence of such questions will be noted by the examiner in an Office action, in which case the patent owner may desire to consider the advisability of filing a reissue application to have such questions considered and resolved.

*Id.*

243. *See* Speranza & Goldman, *supra* note 12, at 90.

244. For example, in Congressional hearings, Professor Stedman testified that "[t]he new materials to be considered [in reexamination] should be limited to printed publications and patents. This means, of course, that some factors that bear upon the



begin with, the scope restriction was perceived to play an important part in protecting the patentee from being burdened by unduly complex procedures.<sup>245</sup> This concern carried over from U.S. attitudes towards foreign pre-grant opposition systems. A less satisfying, but more realistic explanation for the exclusion of non-documentary sources of prior art from reexamination is that it conserves PTO resources. For example, testifying in favor of the legislation, Commissioner Diamond asserted that “[b]y limiting reexamination to a consideration of prior patents and printed publications, the PTO would be given a task that it can perform effectively at a reasonable cost to the requester.”<sup>246</sup> Other witnesses, too, stressed PTO cost management as the rationale for the limitation.<sup>247</sup>

While the substantive scope restrictions seem inconsistent with the goal of formulating an administrative alternative to validity litigation, those restrictions are fully consistent with the goal of providing a curative mechanism. Congress sought to establish an administrative review system in which the PTO could “start over”<sup>248</sup> and conduct proceedings that mimicked original examination.<sup>249</sup> While original examination, as a matter of law, extends beyond documentary prior art, patent examiners have no subpoena power, no inquisitorial power, and inadequate resources to thoroughly investigate sources of nondocumentary prior art, such as public uses and offers for sale. Thus, original examinations are often de facto limited to documentary sources of prior

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question of validity will not be reached, but the advantage of containment that stem[s] from this limitation more than balance[s] these disadvantages.” *Hearings on H.R. 6933*, *supra* note 197, at 214 (statement of John Stedman).

245. In Professor Stedman’s view:

The material that is subject to reexamination should be kept within bounds, both to prevent the proceedings from bogging down in interminable wrangles over evidence, presentation of non-technical or inconclusive evidence (that the PTO is not necessarily qualified to deal with), procedural maneuvers, and the like, leading to massive delays and heavy expense.

*Id.* at 213

246. *Id.* at 595 (statement of Sidney Diamond, Comm’r, PTO).

247. *See, e.g., id.* at 168-69 (statement of Donald Dunner) (“[T]hese bills focus on printed publications and patents only because it is easy to examine them; it is practical to examine them; it is cost effective to examine them.”)

248. *Etter*, 756 F.2d at 857.

249. *See, e.g., Patent Reexamination: Hearings Before the Senate Comm. on the Judiciary*, 96th Cong. 15 (1979) (testimony of Sidney Diamond, Comm’r, PTO) (“Under a reexamination system, any person would be allowed to test patent claims against newly discovered prior art in the same way they were originally tested, that is, examination by an expert patent examiner.”).

art (along with certain issues such as claim ambiguity<sup>250</sup>).

However, even though the substantive scope restrictions can apparently be rationalized in a curative administrative review mechanism, the limitations deserve careful scrutiny. After all, limiting reexamination's substantive scope means that some PTO errors will necessarily only be curable in judicial proceedings. Reexamination is inherently a hamstrung proceeding; it can never fully rehabilitate the patent grant.

The substantive scope restrictions theoretically may perform the same functions that are ascribed to the substantial new question requirement — protecting the patentee and conserving scarce PTO resources. However, it is not clear that the protection afforded to patentees justifies the severe scope restrictions. For example, the restrictions leave open the possibility that the patentee will be burdened by voluminous and/or complex documentary prior art advanced by the reexamination requester.<sup>251</sup> In addition, one may doubt whether a patentee is “protected” by being forced to await judicial resolution of, for example, a complex on-sale or public use issue.<sup>252</sup>

The second interpretive question relating to the substantive scope restrictions — whether the PTO's examination during the reexamination proceedings is limited to “new” issues — has been more difficult to answer. The PTO formerly took the position that once it ordered reexamination, it was no longer constrained to considering only “new” issues of patentability. More specifically, during reexamination on the merits, the PTO considered itself free to apply prior art references not cited in the request<sup>253</sup> and presumed that it could employ theories of patentability irrespective of whether they were “new.”<sup>254</sup>

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250. See 35 U.S.C. § 112, para. 2 (1994).

251. Indeed, where litigation is pending, requesters are not precluded from submitting extensive deposition transcripts or other litigation documents for consideration by the examiner in reexamination.

252. Of course, a patentee could initiate a reissue proceeding to get an administrative review of the on-sale or public use issue, but the patentee must admit error in order to initiate the reissue. See *supra* note 49 and accompanying text.

253. Judge Nies proposed an alternative interpretation, arguing that the substantive scope of reexamination should be limited to the prior art actually asserted in the request. See *Etter*, 756 F.2d at 865 (“Alternatively, I urge the majority to limit reexamination to ‘resolution of the question,’ that is, to the ‘substantial new question of patentability’ which caused the reexamination to be ordered . . .”). The Federal Circuit has never accepted this position.

254. The governing regulation is silent on this point, stating simply that claims will be reexamined “on the basis of patents and printed publications.” 37 C.F.R. § 1.552(a) (1997). The MPEP formerly purported to give the PTO authority to include in the substantive scope of the proceedings “any pertinent patents or printed publications,

In an unfortunate decision, *In re Recreative Technologies Corp.*,<sup>255</sup> a Federal Circuit panel has rejected the PTO's position in part, denying the PTO the authority to reexamine on "old" issues of patentability. The PTO ordered reexamination on the strength of a third-party requester's showing that eight prior art references that were not of record in the original examination of the patent at issue raised a substantial new question of patentability.<sup>256</sup> During reexamination on the merits, however, the examiner did not apply the eight new references, but instead rejected the claims based upon a prior art reference that had been applied in the original examination, on the same grounds (obviousness) that had been asserted in the original examination. The examiner's rejection, according to the Federal Circuit, exceeded the allowable substantive scope of reexamination and was therefore improper.<sup>257</sup>

The court's analysis is highly suspect. The court does faithfully recount the legislative history of the "substantial new question" requirement, correctly apprehending that reexamination's curative impulse is necessarily limited by concerns over harassment of patentees, and thus is reasonably made subject to the substantial new question threshold requirement.<sup>258</sup> However, the court then proceeds to assume, without analysis, that the substantial new question standard governs not only the scope of the threshold determination, but also the substantive scope of reexamination on the merits.<sup>259</sup> Extending this reasoning, the court concludes that the PTO, in opening reexamination on the merits to old patentability issues, unilaterally sought to realign the policy balance embodied in the reexamination statute.<sup>260</sup>

Had Congress wished to limit reexamination to "new" questions of

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including issues previously addressed by the Office." MPEP § 2258 (5th ed., Rev. 12, July, 1989). The PTO recently amended the provision. *See infra* note 263 and accompanying text.

255. 83 F.3d 1394 (Fed. Cir. 1996).

256. *See id.* at 1395.

257. *See id.* at 1398. The Federal Circuit declared that under the circumstances presented, the reexamination "should not have been granted or should have been dismissed at the examination stage when no new grounds of rejection were raised." *Id.* The court's reasoning here is faulty. There was no evidence in the case that reexamination was improperly granted *ab initio*. That is, there was no showing that the eight new references failed to raise a substantial new question of patentability (by being material to patentability) even if they did not establish a *prima facie* case of unpatentability.

258. *See id.* at 1397.

259. *See id.* at 1398 ("The statutory instruction that a new question of patentability must be raised is explicit in 35 U.S.C. § 303. Reexamination is barred for questions of patentability that were decided in the original examination."). Section 303, however, deals on its face with the threshold determination, not reexamination on the merits.

260. *See id.* at 1398.

patentability, one would have expected to find indicia of that intent in the statutory provision governing the substantive scope of reexamination. Yet that provision is silent,<sup>261</sup> and the legislative history appears to be silent as well. The court seems oblivious to the possibility that Congress may have intended to establish a relatively narrow scope for the threshold showing, followed by a relatively broad substantive scope for the proceedings on the merits, as achieving a proper policy balance between the need to cure governmental defects and the need to avoid patentee harassment.

By casting the case as one of statutory construction, the court failed to recognize that it faced a policy choice in *Recreative Technologies* that called for more careful consideration of the relative needs of the patentee and the public set against the curative purpose of the reexamination proceeding. Had the court engaged in such an analysis, it would surely have decided the case in favor of the PTO. The *Recreative Technologies* case, if followed, debilitates reexamination's capacity to carry out even its curative purpose, by limiting reviewable PTO mistakes to mistakes of omission only. *Recreative Technologies* highlights the futility of reexamination, for even if the curative goal were still meaningful, time has demonstrated that the reexamination procedures are at best only partially capable of advancing that goal. In addition, the decision set loose a variety of ancillary issues that would unduly complicate reexamination proceedings.<sup>262</sup>

The PTO attempted to deal with these ancillary issues by construing *Recreative Technologies* narrowly. Sections 2242 and 2258 of the Manual of Patent Examining Procedures ("MPEP") now expressly acknowledge that reexamination cannot proceed on the same patentability question based upon the same prior art patents or printed publications previously cited against a given claim. The same patentability question was "previously considered" if the grounds for

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261. See 35 U.S.C. § 305 (1994).

262. For example, if the evidence shows that an examiner during original examination overlooked or misapprehended information in a prior art reference, may an examiner in reexamination apply the same reference on the same theory of patentability, or is that an "old" question of patentability?

As another example, if an examiner during an original examination imposes (and later withdraws) a rejection based upon a given prior art reference on an obviousness theory, may an examiner in reexamination impose a rejection based upon the same reference, but upon a theory of anticipation? The court in *Recreative Technologies* expressly reserved this "interesting question." *Recreative Techs.*, 83 F.3d at 1399 (refusing to allow the PTO to proffer as "new" an anticipation theory in reexamination because it was imposed only after the case reached the Board of Patent Appeals and Interferences).

rejection:

- (1) would apply to the same claimed subject matter as a previous rejection in the examination of the original patent or earlier concluded reexamination;
- (2) would rely on the same combination of patents and printed publications as the previous rejection; and
- (3) would apply the same statutory basis as the previous rejection.<sup>263</sup>

The PTO proceeded to explain away other inconsistent cases by observing that in an "unusual fact situation," application of the new standard "may be difficult or yield a questionable result."<sup>264</sup>

The Federal Circuit has already rejected the PTO's approach. In *In re Portola*,<sup>265</sup> two prior art references, Hunter and Faulstich, had been applied against claims of a pending application in an original examination. Certain claims were rejected as anticipated by Hunter, while other claims were rejected on an obviousness combination that included Faulstich.<sup>266</sup> Eventually the claims issued, but during a subsequent reexamination, Hunter and Faulstich arose again. In particular, the examiner cited the combination of Hunter and Faulstich in support of an obviousness rejection of the then-pending claims, which the patentee had narrowed by amendment.<sup>267</sup>

In a discussion that largely tracked the analysis in *Recreative Technologies*, the Federal Circuit held that the Hunter/Faulstich obviousness rejection was not "new" and, in accordance with the *Recreative Technologies* rule, could not be advanced in reexamination.<sup>268</sup> To the extent that the PTO's amended MPEP sections were inconsistent with this result (as is clearly the case), those sections lack statutory authorization.<sup>269</sup> Unfortunately, *Portola* seems likely to be merely the first in a long line of decisions in which PTO and judicial resources are misspent fleshing out the delicate nuances of "newness" rather than addressing claim validity over the prior art.<sup>270</sup>

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263. MPEP § 2242 (6th ed. 1996).

264. *Id.*

265. 110 F.3d 786 (Fed. Cir. 1997).

266. *See id.* at 787.

267. *See id.*

268. *See id.* at 790-91.

269. *See id.*

270. Judge Rader has recently criticized *Portola* and *Recreative Technologies* on similar grounds. *See In re Portola*, 122 F.3d 1473 (Fed. Cir. 1997) (Rader, J., dissenting

One of the most serious deficiencies of the proposed new reexamination scheme is the failure to loosen restrictions on the substantive scope of reexamination on the merits. The proposed legislation makes no changes that directly enlarge the substantive scope of reexamination on the merits. The only changes come indirectly, and are cosmetic.

Specifically, the provisions setting out the substantial new question standard would, under the proposed legislation, be broadened to allow requesters to assert theories based upon specified violations of 35 U.S.C. § 112.<sup>271</sup> If, in accordance with *Recreative Technologies*, the substantive scope of reexamination tracks the scope of the substantial new question standard, then the proposed broadening of the scope of the substantial new question standard would marginally broaden the substantive scope of reexamination.<sup>272</sup>

However, here again the legislative proposals completely lose sight of the shift in policy goals away from the curative mechanism towards a litigation alternative. It is totally unrealistic to expect even second generation reexamination to achieve viability as a litigation alternative if patentability theories resting on non-documentary sources of prior art continue to be excluded. As it stands, second generation reexamination would bar consideration of the very sources of patent-defeating prior art most likely to be overlooked during the original examination, leaving third parties no alternative but litigation to advance such theories.

Moreover, three justifications that animated the original decision to limit the substantive scope of reexamination no longer make sense. First, as a conceptual matter, it is no longer necessary (and certainly not desirable) to structure reexamination in such a way as to mimic the de facto scope of original examination. That was sensible, if at all, only in the context of an administrative review mechanism that aspired to serve primarily as a curative mechanism.

Second, standard objections about limiting the cost of the reexamination proceedings by restricting severely its substantive scope prove

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from denial of rehearing in banc).

271. Proposed sections 503(a) and (b) of House Bill. 400, H.R. 400, 105th Cong. § 503(a)-(b) (1997) (proposing amendments to be codified at 35 U.S.C. §§ 302 and 303(a)) would provide that a substantial new question of patentability could be raised by a showing of “the failure of the patent specification or claims to comply with the requirements of section 112 of [Title 35] except for the best mode requirement.” Accordingly, violations of the enablement requirement of § 112, para. 1, or the written description requirement of that same paragraph, could now be asserted as a basis for a substantial new question of patentability.

272. Ideally, the proposed legislation would expressly indicate whether or not Congress intends for the substantive scope of reexamination on the merits to be constrained to the scope of the substantial new question requirement.

nothing unless compared to the cost of litigating the issue. Resolution of issues like alleged on-sale and public use bars before an administrative tribunal may be “expensive” in some abstract sense, but if the expense pales in comparison to the expense of litigating the issue (which seems almost inevitable), then offering an administrative route should benefit both the patentee and potential challengers.<sup>273</sup>

Finally, objections about expanding substantive scope based upon doubts about the institutional competency of the PTO to handle full-fledged adversarial proceedings on non-documentary prior art issues need careful rethinking. The reason that the current (and the second generation) reexamination schemes appear to be so incapable of resolving complex prior art disputes is that the current scheme places initial decision-making authority in individual patent examiners who are likely to have minimal experience with and training in the assessment of non-documentary evidence. That is, while it is certainly true that institutional barriers would have to be overcome before expanding the scope of reexamination would be feasible, current legislative proposals give no thought to restructuring reexamination from the ground up, under the authority of new administrative regimes.<sup>274</sup> Instead, the tail continues to wag the dog. The substantive scope limitations are unnecessary baggage carried over from the current reexamination scheme and should be jettisoned.

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273. There are additional reasons why administrative revocation proceedings of expanded substantive scope need not inevitably be viewed as a threat by small companies and individual inventors. *See, e.g.*, Roland T. Bryan, *Proposal for Modifying the Administrative Procedure of the Patent Office to Improve Patent Validity*, 1 APLA Q.J. 194 (1973) (arguing that creation of an administrative inter partes proceeding would benefit small companies and individual inventors because “unless validity issues are resolved in the United States Patent Office prior to the issuance of the patent, the inventor receives merely a false hope in exchange for his relinquishment of secrecy”). Moreover, an inter partes proceeding might facilitate the invalidation of patents that large companies could otherwise have used to force small companies into licensing arrangements. *See id.* at 200. For a typical example of the contrary view, set out before the reexamination provisions were enacted, see Abramson, *supra* note 70, at 426 (reexamination is undesirable because it merely provides a forum in which well-heeled companies can attack patents owned by small companies).

274. I speak here simply of placing initial jurisdiction over reexamination in an administrative board of specially trained PTO personnel; *see infra* note 515 and accompanying text. Such a concept is hardly revolutionary, but seems to have evaded the scope of congressional inquiry, a probable symptom of adherence to the existing reexamination system and its built-in assumptions.

*C. Claim Construction and the Failure to Recognize the Presumption of Validity in Reexamination*

A conceptual model of reexamination that is centered around PTO error correction would include features that mimic original patent examination in two further respects: the application of the “broadest reasonable” claim construction and the presumption of validity. Although the reexamination provisions are silent as to both issues, the Federal Circuit’s treatment of the issues is revealing.

Under a long-standing canon of patent claim interpretation which the Federal Circuit has occasionally invoked, a court interpreting a patent claim in the context of litigation should interpret the claim “so as to sustain its validity, if possible.”<sup>275</sup> By contrast, a PTO examiner conducting an original patent examination is to give the claim terms their “broadest reasonable interpretation,”<sup>276</sup> the object being to serve the public interest by reducing the possibility that claims in litigation will be given broader scope than was anticipated by the PTO during original examination.<sup>277</sup>

Nonetheless, this bipolar claim construction regime created a minor dilemma for reexamination. In reexamination, examiners would be interpreting issued claims, arguably justifying application of the canon favoring narrowed construction. On the other hand, examiners would be examining the issued claims afresh, suggesting application of the PTO’s broadened construction. The question implicates fundamental concerns about the dominance of conceptual models: is reexamination more like court adjudication of patent validity, or is it more like original examina-

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275. *Whittaker Corp. v. UNR Indus., Inc.*, 911 F.2d 709, 712 (Fed. Cir. 1990); *see also ACS Hosp. Sys., Inc. v. Montefiore Hosp.*, 732 F.2d 1572, 1577 (Fed. Cir. 1984). The operative rationale is that such a construction may be necessary to “do justice” between the parties. *In re Prater*, 415 F.2d 1393, 1404 (C.C.P.A. 1969). The canon is a default rule that enables courts to extricate themselves from difficult cases in which two or more claim constructions are equally permissible. By choosing a narrow construction, the court will very likely conclude that the defendant does not infringe, yet the claim will remain valid. The court may consider this solution attractive in that it appears to give something to both sides.

276. *See, e.g., In re Donaldson Co.*, 16 F.3d 1189, 1194 (Fed. Cir. 1994) (in banc); *In re Sneed*, 710 F.2d 1544 (Fed. Cir. 1983); *see also In re Morris*, 43 U.S.P.Q.2d (BNA) 1753 (Fed. Cir. 1997) (rejecting arguments that *Markman* compels the PTO to employ the same claim construction methodology that the courts employ), *revised by* 44 U.S.P.Q.2d (BNA) 1023 (Fed. Cir. 1997); *Prater*, 415 F.2d at 1404-05. It is open to question whether this perceived distinction results in any profound differences in the linguistic analyses carried out by the courts and the PTO respectively.

277. *See Prater*, 415 F.2d at 1405.



tion?

Taking up the issue in *In re Yamamoto*, the Federal Circuit chose the latter, holding that the "broadest reasonable interpretation" standard applied.<sup>278</sup> In original examination, the court reasoned, an applicant "has the ability to correct errors in claim language and adjust the scope of claim protection as needed."<sup>279</sup> According to the court, the applicant has a similar opportunity in reexamination, leading to the conclusion that reexamination is like examination, and therefore the broadest reasonable interpretation standard should apply.<sup>280</sup>

The Federal Circuit eventually arrived at a similar conclusion as to the applicability of the presumption of validity during reexamination. Disparate standards also had been (and still are) applied to this issue in litigation as compared to original examination. During original examination, the examiner bears the burden of presenting a prima facie case of unpatentability.<sup>281</sup> If the examiner fails to present a prima facie case, "then without more the applicant is entitled to grant of the patent."<sup>282</sup> If the examiner does present a prima facie case, the applicant must come forward with evidence or an argument for patentability; then patentability is determined on the record as a whole, based upon a preponderance of the evidence.<sup>283</sup> Vastly different standards apply when patent validity is challenged during litigation.<sup>284</sup>

Within a short time after the enactment of the reexamination provisions, a panel of the Federal Circuit took up the question of whether the presumption of validity would apply to reexamination proceedings, and appeared to answer in the affirmative.<sup>285</sup> In fact, the court had observed in dicta that reexamination should not enable an alleged infringer to circumvent the burden that would be placed on him if he attempted to invalidate the claims in litigation.<sup>286</sup> Later decisions, however, construed the court's statement as indicating that the presump-

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278. 740 F.2d 1569, 1572 (Fed. Cir. 1984). For a brief criticism of the case, see Alvin Guttag, *Reexamination Claim Construction*, 66 J. PAT. OFF. SOC'Y 569 (1984).

279. *Yamamoto*, 740 F.2d at 1572.

280. *See id.* The PTO takes the position that for reexamination of a claim in an expired patent, the patent owner has no opportunity to amend the claims and accordingly should not suffer the disadvantage of the "broadest reasonable construction" standard in that context. *See Ex parte Bowles*, 23 U.S.P.Q.2d (BNA) 1015, 1017 (Bd. Pat. App. & Interferences 1992).

281. *See In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

282. *Id.*

283. *See id.*

284. *See supra* Part III.A.

285. *See In re Anderson*, 743 F.2d 1578 (Fed. Cir. 1984).

286. *See id.* at 1580.

tion of validity must apply in reexamination.<sup>287</sup>

Recognizing the ambiguity, the Federal Circuit, sitting in banc, took up sua sponte the question of whether the presumption should apply to claims undergoing reexamination.<sup>288</sup> By a majority, the court refused to accord claims undergoing reexamination the benefit of the presumption.<sup>289</sup>

The *Etter* majority emphasized the curative aspect of reexamination as justifying the refusal to extend the presumption to reexamination. For example, in the majority opinion, Judge Markey characterized the “innate function” of reexamination as curative:

The innate function of the reexamination process is to increase the reliability of the PTO’s action in issuing a patent by reexamination of patents thought “doubtful.” When the patent is concurrently involved in litigation, an auxiliary function is to free the court from any need to consider prior art without the benefit of the PTO’s initial consideration. In a very real sense, the intent underlying reexamination is to “start over” in the PTO with respect to the limited examination areas involved, and to reexamine the claims and to *examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of

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287. *See In re Etter*, 756 F.2d 852, 858 (Fed. Cir. 1990).

288. *See id.*

289. *See id.* The court took some pains to confine the scope of its holding to apply only to claims actually undergoing reexamination. Claims appearing in the reexamined patent that were not made subject to the reexamination order would continue to enjoy the presumption of validity. *See id.* at 857 n.5. Similarly, the presumption was to remain unaltered until reexamination proceeded on the merits. Accordingly, a PTO rejection of a reexamination request would not “strengthen” the presumption of validity, but instead would have no effect on the presumption. *See id.*

For one commentator’s critical overview of the court’s decision, see Edmund J. Fish, Note, *Examining the Federal Circuit’s Position on the Presumption of Validity During Patent Reexamination*, 32 WAYNE L. REV. 1405 (1986) (arguing that the refusal to apply the presumption of validity during reexamination violates Fifth Amendment procedural due process).

the prior art of record in the reexamination proceeding.<sup>290</sup>

Because the court perceived reexamination primarily as a curative mechanism rather than a litigation alternative,<sup>291</sup> it appeared to the court to be “incongruous” to apply the presumption, “a trial court procedural rule,”<sup>292</sup> to reexamination on the merits.<sup>293</sup>

Citing *Yamamoto*, the *Etter* court was also persuaded that the patentee’s ability to amend the claims during reexamination (and during reissue) distinguished reexamination from litigation and justified withholding the presumption of validity from reexamination.<sup>294</sup> The court again referred to the curative aspect of the administrative review procedures.<sup>295</sup>

The rhetoric of *Yamamoto* and *Etter* suggests that both the refusal to apply the presumption of validity in reexamination and the adoption of the “broadest reasonable construction” standard in reexamination are plausible efforts to implement the curative model of reexamination. Even so, the court’s decisions deserve critical scrutiny on a number of fronts.

First, the Federal Circuit’s justification for its rulings in both *Yamamoto* and *Etter* — that the patentee in reexamination can amend his claims, or offer new claims, just as he or she could during original examination — is overstated. A patentee cannot propose claim-

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290. *Etter*, 756 F.2d at 857 (citation omitted); see also *Patlex I*, 758 F.2d 594, 605 (Fed. Cir. 1985) (asserting that the presumption of validity should not apply in reexamination proceedings because it would not meet the statutory purpose of 35 U.S.C. § 282 (1994), “whose origin is the presumption of administrative correctness, to apply this presumption to a procedure whose purpose is the remedy of administrative error”). One should take this assertion cautiously, however: the origin of the presumption of validity indeed may lie in the presumption of administrative correctness, but the two presumptions should not be equated, as Judge Nies recognized in her concurring opinion in *Etter*. See *Etter*, 756 F.2d at 861; see also *supra* note 97 and accompanying text.

291. As Judge Markey put it, “litigation and reexamination are distinct proceedings, with distinct parties, purposes, procedures, and outcomes.” *Etter*, 756 F.2d at 857.

292. *Id.* at 858.

293. Judge Markey also worried about the “legalistic confusion” that would result if the PTO operated under a presumption of validity in reexamination but did not so operate in original examination. *Id.*

294. *Id.* at 859.

295. *Id.* at 858 (“Though reissue and reexamination proceedings are distinct, the focus of both is on curing defects which occurred during a proceeding in the PTO, which was responsible for original issuance of the patent.”).

broadening amendments, or broader new claims, in reexamination.<sup>296</sup> Indeed, courts may invalidate claims which are found to have been improperly broadened during reexamination.<sup>297</sup> In addition, while the patentee is allowed to propose narrowing amendments or narrowed new claims, the reexamination provisions supply a powerful disincentive against doing so: recovery of damages for past infringement is precluded unless the claims emerging from reexamination are substantively identical to the original claims.<sup>298</sup>

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296. See 35 U.S.C. § 305 (1994) (“No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter.”); 37 C.F.R. § 1.530(d) (1997) (forbidding broadening amendments in patent owner’s statement); 37 C.F.R. § 1.552(b) (1997) (forbidding broadening amendments or broadened new claims during examination stage of reexamination). An amended or new claim has been “enlarged” in contravention to § 305 if it is broader in any respect than the original claim, even if it is narrower in other respects. That is, a claim that “includes within its scope any subject matter that would not have infringed the original patent” is enlarged. *In re Freeman*, 30 F.3d 1459, 1464 (Fed. Cir. 1994) (adopting the standard for broadening reissues).

In addition, the Federal Circuit maintains that it will not take into account the doctrine of equivalents when construing an original claim in comparison to a reexamined claim. See *Thermalloy, Inc. v. Aavid Eng’g, Inc.*, 121 F.3d 691, 694 (Fed. Cir. 1997) (“To hold otherwise would allow a patentee to transform a district court case based on infringement under the doctrine of equivalents into a case based on literal infringement simply by broadening claims during reexamination.”).

297. See *Quantum Corp. v. Rodime PLC*, 65 F.3d 1577 (Fed. Cir. 1995) (invalidating claims under 35 U.S.C. § 305); *Thermalloy*, 121 F.3d at 692 (same).

298. Specifically, recovery of damages for an asserted infringement during the period between the date of issuance of the original patent and the date of issuance of the reexamination certificate requires that the original and reexamined claims be identical. See 35 U.S.C. § 307(b) (1994) (“Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used . . . anything patented by such proposed amended or new claim . . . prior to issuance of a [reexamination] certificate . . .”). 35 U.S.C. § 252 (1994) provides, in relevant part, that “every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending . . .” “Identical” in this context means without substantive change. See *Laitram Corp. v. NEC Corp.*, 952 F.2d 1357, 1360 (Fed. Cir. 1991).

One commentator argues that reexamination’s major procedural flaw is the patent owner’s ability to amend the claims during reexamination. See Mauriel, *supra* note 12, at 147-50. This overstates the case, given that a patent owner who amends claims during reexamination is at some risk of losing pre-reexamination infringement damages. See, e.g., *Fortel Corp. v. Phone-Mate, Inc.*, 825 F.2d 1577 (Fed. Cir. 1987) (holding that claim amendment during reexamination substantively changed scope and triggered 35

Second, the Federal Circuit's position on the presumption of validity and claim interpretation in reexamination alters, perhaps disadvantageously, the incentives for employing reexamination. Unquestionably, the court's decisions may have discouraged patent owners from voluntarily initiating reexamination.<sup>299</sup> Even if potential validity challengers saw *Yamamoto* and *Etter* as making reexamination more attractive,<sup>300</sup> it seems unlikely that the advantage flowing from those cases outweighs the extraordinary disadvantages built into other aspects of reexamination.<sup>301</sup> Third, the presence of disparate standards could needlessly complicate the question of when an interpretation determined in one forum is binding in the other.<sup>302</sup>

Neither reexamination reform proposals nor the PTO regulations specify whether the court standards of claim interpretation are to apply in the reformulated reexamination proceedings. The same may be observed as to the applicability of the presumption of validity.

While it is always risky to draw inferences from congressional silence, one might infer readily that the legislative proposals seek to preserve the status quo as to the standards of claim interpretation and the inapplicability of the presumption of validity in reexamination. This would mean that examiners conducting a reexamination under the new

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U.S.C. § 307(b) limitation); *cf.* *Minco, Inc. v. Combustion Eng'g Inc.*, 95 F.3d 1109, 1115 (Fed. Cir. 1996) (holding that amendment to claim in reexamination did not substantively change scope); *Laitram*, 952 F.2d at 1362-63 (rejecting the argument that any amendment subsequent to a prior art rejection in a reexamination necessarily makes a substantive change in claim scope sufficient to trigger the § 307(b) limitation; to determine whether the amendment substantively changes the claim, the court must consider the issue on a case-by-case basis); *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413 (Fed. Cir. 1989) (holding that claim amendment during reexamination simply made claim more definite, without any substantive change in scope sufficient to trigger the § 307(b) limitation); *Kaufman Co. v. Lantech Inc.*, 807 F.2d 970 (Fed. Cir. 1986) (same).

Judge Nies recognized that it is "small solace" to a patentee that he can amend his claims in reexamination and secure narrower new claims, given that by doing so, the patentee would forfeit past infringement damages. *Etter*, 756 F.2d at 862 (Nies, J., concurring).

299. See *Etter*, 756 F.2d at 860, 862 (Nies, J., concurring) (predicting that *Yamamoto* and *Etter* would have a "chilling effect" on the voluntary use of reexamination).

300. See, e.g., *Speranza & Goldman*, *supra* note 12, at 90-91.

301. Particular disadvantages include limitations on third-party participation and restrictions on the substantive scope of reexamination on the merits. *But cf.* *Conger*, *supra* note 12, at 541-42 (arguing that *Etter* encourages alleged infringers to use reexamination as a tactic to circumvent the presumption of validity, a practice that, should it become widespread, would ultimately result in diminished respect for patent rights generally).

302. See *infra* Part III.E.

proceeding would continue to interpret the claims using the “broadest reasonable interpretation” standard, and that they would continue to dispense with the presumption of validity.

However, retaining excess baggage in the form of *Yamamoto* and *Etter* would be unfortunate. Indeed, this is the very problem with retaining reexamination as the conceptual model for administrative review of patent validity: reexamination comes replete with decisions that no longer fit an administrative system seeking primarily to channel validity disputes away from the courts. In an administrative review system that seeks to provide a litigation alternative, there is no sound justification for throwing out the critical procedural advantage accorded to patentees in litigation. Likewise, there is no sound justification for applying a different rule of claim interpretation than that which would apply in litigation. The new administrative review system need not, and should not, be constrained in a misguided effort to mimic original examination.

The apparent reluctance to do away with *Yamamoto* and *Etter* may also be an unfortunate legacy of the decision to retain the examiner as the adjudicator of first instance in reexamination proceedings.<sup>303</sup> An examiner accustomed to applying the “broadest reasonable construction” standard would have to shift to the litigation standard when conducting a reexamination and would be required to respect the presumption of validity. It may be unrealistic to expect examiners to hew to these distinctions. However, this speaks more to the failure of the institutional scheme for handling administrative review of patent validity than to the failure of the standards themselves. Finally, adopting *Yamamoto* and *Etter* for the proposed second generation reexamination scheme would only further complicate the question of the binding effect of reexamination claim construction in subsequent litigation.<sup>304</sup>

#### D. Restrictions on Third-Party Participation

The existing reexamination provisions severely restrict public participation in the reexamination process. The restrictions on third-party participation have been perhaps the most widely criticized features

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303. Retaining the examiner in this role is unacceptable and unrealistic for numerous reasons, especially the examiner’s lack of experience in managing inter partes proceedings. For a fuller discussion of this point, see *infra* notes 336-42 and accompanying text.

304. See *infra* Part III.E.

in the reexamination scheme.<sup>305</sup> Yet, surprisingly, if one measures these limitations against the conceptual model of reexamination as a curative system, the use of an *ex parte* scheme is entirely rational, if only moderately effective.

The extent of public participation in reexamination depends in the first instance upon who files the request. When the patent owner files the reexamination request, third parties are foreclosed from any participation in any ensuing reexamination proceedings. Although the reexamination prosecution history is available to the public,<sup>306</sup> the procedures provide no mechanism for intervention by the public, except for filing a third-party request.<sup>307</sup>

The absolute foreclosure of third-party participation in patentee-initiated reexaminations has strategic implications for patent litigation. A patent owner negotiating with an intransigent would-be licensee, for example, may elect to file a request for reexamination preemptively, seeking to have the request for reexamination rejected in order to demonstrate that a later validity challenge based on the same prior art references would be likely to fail.<sup>308</sup> Similarly, a patent owner involved in litigation may file a pre-emptive request for reexamination based upon the best prior art brought forward by the alleged infringer, hoping that if the reexamination request is denied, the alleged infringer's validity defense in the litigation will be undercut.<sup>309</sup> Likewise, when the Commissioner initiates a reexamination, notice of the initiation of the reexamination proceedings is published in the *Official Gazette*,<sup>310</sup> but no mechanism for public participation is provided.<sup>311</sup>

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305. *See supra* note 12; *see also* Neff, *supra* note 12, at 585 (reporting the results of a 1984 AIPLA survey and expressing, even at that early stage in the tenure of reexamination, strong dissatisfaction among patent practitioners with the restrictions on third-party participation).

306. *See* 37 C.F.R. § 1.11(d) (1997). In addition, notice of the request is published in the *Official Gazette* of the U.S. Patent Office. *See* 37 C.F.R. § 1.11(c) (1997).

307. *See* MPEP § 2212 (6th ed. 1996) (limiting patent owner-initiated reexamination "to an *ex parte* consideration" of specified patentability issues).

308. *See, e.g.*, Joseph R. Re, "Parallel Prosecution": *Effect of Patent Prosecution on Concurrent Litigation*, 73 J. PAT. & TRADEMARK OFF. SOC'Y 965, 967-68 (1991) (discussing the possible benefits to the patentee of preemptively filing a reexamination request).

309. *See id.*

310. *See* 37 C.F.R. § 1.11(c) (1997).

311. Of course, although the Commissioner acts *sua sponte*, the Commissioner does not act in a vacuum, and presumably some third parties, by applying informal pressure on the Commissioner to act, may be said to have had a role in bringing about the reexamination. *See, e.g.*, Hughes, *supra* note 187, at 381-82 (considering the possibility that complaints from multimedia developers prompted the PTO to initiate reexamination

Even when a third party files the reexamination request, the third party is afforded only a very minor role in the ensuing reexamination proceeding. If the third-party request is granted, the patent owner may file a statement commenting on the substantial new question of patentability and proposing amended or new claims.<sup>312</sup> If the patent owner files such a statement, the third party is entitled to reply.<sup>313</sup>

However, beyond the reply stage, the reexamination is conducted “according to the procedures established for initial examination.”<sup>314</sup> Both the Federal Circuit and the PTO have interpreted this to mean that reexamination beyond the reply stage is to be carried out *ex parte*.<sup>315</sup> Third parties cannot have their filings beyond the reply stage considered by the PTO,<sup>316</sup> nor can they participate in examiner interviews.<sup>317</sup> Most critically, third-party requesters have no right to appellate review, either

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of the Compton’s multimedia patent). The regulations insulate the Commissioner to some extent from these pressures. *See* 37 C.F.R. § 1.520 (1997) (“Normally requests from outside the Patent and Trademark Office that the Commissioner undertake reexamination on his own initiative will not be considered.”).

312. *See* 35 U.S.C. § 304 (1994); 37 C.F.R. § 1.530 (1997) (describing contents of patent owner’s statement); MPEP §§ 2249-50 (6th ed. 1996).

313. *See* 35 U.S.C. § 304 (1994); 37 C.F.R. § 1.535 (1997). According to the PTO, the reply need not be limited to the issues raised in the request, but may include “additional prior art patents and printed publications and raise any issue appropriate for reexamination.” MPEP § 2251 (6th ed. 1996).

Because the patent owner’s statement is optional, many patent owners elect not to file a statement, thus precluding third parties from filing any reply.

314. 35 U.S.C. § 305 (1994).

315. *See In re Etter*, 756 F.2d 852, 859 n.6 (Fed. Cir. 1990) (“[T]he reexamination *per se* of the claims is entirely *ex parte*.”); MPEP § 2209 (6th ed. 1996) (“The intent of the reexamination procedures covered in this chapter include . . . [implementing] reexamination in an essentially *ex parte* manner.”).

316. *See* 37 C.F.R. § 1.550(e) (1997) (“The active participation of the reexamination requester ends with the reply . . . .”); MPEP § 2254 (6th ed. 1996) (“The reexamination proceedings will be conducted *ex parte* because this was the intention of the legislation. . . . *Ex parte* proceedings also prevent extra proceedings and reduce possible harassment of the patent owner.”). *See, e.g., In re Eis*, 1 U.S.P.Q.2d (BNA) 1418, 1420 (Fed. Cir. 1986) (holding that requester’s supplemental reply papers are improper under 37 C.F.R. § 1.550(e)).

The PTO also asserts that the patent owner cannot be compelled to file papers on behalf of the requester. *See* MPEP § 2251 (6th ed. 1996). The PTO will, however, at any time, accept “copies of notices of suits and other proceedings involving the patent and copies of decisions or papers filed in the court from litigations or other proceedings involving the patent from the parties involved or third parties for placement in the file.” MPEP § 2282 (6th ed. 1996).

317. *See* 37 C.F.R. § 1.560(a) (1997) (“Requests that reexamination requesters participate in interviews with examiners will not be granted.”); MPEP § 2281 (6th ed. 1996) (same).



by the Board or a court, of reexamination decisions favoring the patentee.<sup>318</sup>

Requesters have attempted to circumvent these restrictions by resorting to elaborate stratagems to obtain some level of third-party participation in reexamination. For example, because a reexamination requester may file an unlimited number of requests, third-party requesters who are dissatisfied with the disposition of (or the progress of) a first reexamination, but have already reached the stage at which third-party participation is foreclosed, might institute a second reexamination, typically supplying additional references and pointing out potential defects in the first reexamination.<sup>319</sup> Third parties may also intervene or request permission to appear as amicus in cases where the patent owner appeals an adverse PTO reexamination decision to the court.<sup>320</sup> Finally, at least one district court was persuaded to issue an order compelling the patent owner to include a third party's submissions with its own submissions during reexamination, to enable the third party effectively to participate in the "document submission portion" of the reexamina-

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318. See *Syntex (U.S.A.) Inc. v. United States Pat. & Trademark Office*, 882 F.2d 1570 (Fed. Cir. 1989) (holding that third-party requester has no right of judicial review even where reexamination allegedly was not conducted in accordance with PTO regulations); *Boeing Co. v. Commissioner of Pat. & Trademarks*, 853 F.2d 878, 881 (Fed. Cir. 1988); *Greenwood v. Seiko Instruments*, 8 U.S.P.Q.2d (BNA) 1455, 1456 (D.D.C. 1988); *Yuasa Battery Co. v. Commissioner of Pat. & Trademarks*, 3 U.S.P.Q.2d (BNA) 1143 (D.D.C. 1987).

319. See, e.g., *In re GPAC, Inc.*, 57 F.3d 1573 (Fed. Cir. 1995) (deciding a case in which, after patent claims were upheld in a first reexamination proceeding, requester initiated a second reexamination proceeding by submitting additional references that allegedly filled in the evidentiary gaps found to exist during the first reexamination); *Allegheny Ludlum Corp. v. Comer*, 24 U.S.P.Q.2d (BNA) 1771 (W.D. Pa. 1992) (rejecting argument that PTO's grant of second reexamination request violated the statutory and regulatory requirement that reexamination be conducted ex parte).

320. Allowance of intervention or appearance as an amicus is within the discretion of the court. See *Etter*, 756 F.2d at 859 n.6. Courts have allowed third-party requesters to intervene in patent owners' 35 U.S.C. § 145 appeals to the district court, see *Reed v. Quigg*, 230 U.S.P.Q. (BNA) 62 (D.D.C. 1986), and in patent owners' 35 U.S.C. § 144 appeals to the Federal Circuit, see *In re Merci & Co.*, 800 F.2d 1091 (Fed. Cir. 1986), but have refused to allow intervention by parties who had not participated as requesters in reexamination, even where those parties face infringement litigation involving the patent at issue in the reexamination, see *In re Opprecht*, 868 F.2d 1264 (Fed. Cir. 1989). Even where a requester has been given permission to intervene in a § 145 district court proceeding, the Federal Circuit has held that the requester lacks standing (on both constitutional and prudential grounds) to appeal from the district court's decision. See *Boeing*, 853 F.2d at 881.

tion.<sup>321</sup> The Federal Circuit, however, reversed.<sup>322</sup> The Federal Circuit reasoned that just as a district court lacks authority to compel an alleged infringer in a patent suit to request reexamination,<sup>323</sup> a district court also lacks authority to require a patent owner to file an alleged infringer's documents along with the patent owner's own response to a third party's reexamination request.<sup>324</sup>

The reexamination reform legislation would allow for third-party requesters to file comments on a patent owner's response to any office action issued during the reexamination,<sup>325</sup> and would also allow third-party requesters to appeal to the Board of Patent Appeals and Interferences<sup>326</sup> and to the courts.<sup>327</sup> A third party can also participate as a party

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321. *Emerson Elec. Co. v. Davoil, Inc.*, 911 F. Supp. 380 (E.D. Mo. 1996). To reach this startling result, the court relied upon *In re Blaese*, 19 U.S.P.Q.2d (BNA) 1232 (Comm'r Pat. & Trademarks 1991) (reissue proceeding) and *In re Chambers*, 20 U.S.P.Q.2d (BNA) 1470 (Comm'r Pat. & Trademarks 1991) (reexamination proceeding), in which the PTO, displaying alarming willingness to place form over substance, announced that as to any papers actually filed by the applicant, the PTO would pretend that those papers were the submissions of the applicant *in toto* even when the submissions expressly incorporated views of a third party. See *Blaese*, 19 U.S.P.Q.2d (BNA) at 1235. The PTO's position in *Blaese* and *Chambers* flatly contradicts the PTO's own procedures for reexamination. See, e.g., MPEP § 2254 (6th ed. 1996) ("The patent owner cannot file papers on behalf of the requester and thereby circumvent the intent of the legislation and the rules.").

322. See *Emerson Elec. Co. v. Davoil, Inc.*, 88 F.3d 1051 (Fed. Cir. 1996).

323. See *In re Continental Gen'l Tire, Inc.*, 81 F.3d 1089 (Fed. Cir. 1995).

324. See *Emerson Elec.*, 88 F.3d at 1054.

325. See H.R. 400, 105th Cong. (1997) at § 503(d).

326. See *id.* at § 503(e) (providing that a third-party requester may appeal "under the provisions of section 134 of this title"). The Board will find itself in an unusual position when entertaining an appeal from a third-party requester. In the ordinary course, the appellant before the Board is an aggrieved applicant seeking to demonstrate that the record developed during the prosecution does not support rejection of the claims. See 37 C.F.R. § 1.191(a) (1997). The Examiner may participate by filing an Examiner's Answer, or even by appearing before the Board and presenting oral argument (if the applicant requests that argument be made). See 37 C.F.R. § 1.193-1.194 (1997). Under the new legislation, the appellant before the Board may be an aggrieved third-party requester seeking to demonstrate the error of the examiner's determination that the claims should be upheld.

In general, appeals under the proposed new reexamination regime could be complicated affairs involving submissions from the third-party requester, the patent owner, and the examiner for the Board's consideration. The PTO has promulgated tentative regulations that attempt to deal with these complexities. See Rules of Practice in Patent Cases: Reexamination Proceedings, 60 Fed. Reg. 41,035, 41,047-50 (1995) (to be codified at 37 C.F.R. §§ 1.959-1.981) (proposed Aug. 11, 1995).

For example, in a reexamination in which the examiner finally rejects some claims and confirms others as patentable, the patent owner may wish to appeal on the rejected claims, while the third-party requester may wish to cross-appeal as to the confirmed

to any appeal taken by the the patent owner.<sup>328</sup> On the other hand, the proposed legislation also limits a requester's opportunity to file multiple requests for reexamination.<sup>329</sup>

As crucial as these changes may be to creating an administrative review system that provides a litigation alternative, liberalizing third-party participation will accomplish little unless accompanied by more fundamental reforms. Unfortunately, the third-party participation provisions are embedded in a second-generation reexamination scheme that was designed primarily to cure governmental defects, and only secondarily to provide a litigation alternative.

In the original reexamination scheme, restrictions on third-party participation were not simply an unwise attempt to place restraints on an otherwise worthy procedure. To the contrary, the restrictions on third-

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claims. *See id.* at 41,047 (to be codified at 37 C.F.R. § 1.959) (describing the varieties of notices of appeal and cross-appeal). In addition, both the patent owner and the third-party requester will quite possibly wish to respond to the other's appeal, making them appellants as well as respondents, *see id.* (to be codified at 37 C.F.R. § 1.962) (defining "appellant" and "respondent" for purposes of appeals from reexamination decisions), and giving them the opportunity to file both appellant's briefs and respondent's briefs. *See id.* at 41,047-48 (to be codified at 37 C.F.R. § 1.965) (setting forth required contents of appellant's brief); *id.* at 41,048-49 (to be codified at 37 C.F.R. § 1.967) (setting forth required contents of respondent's brief). To add to the complexity, the examiner retains the traditional authority to file an answer, *see id.* at 41,049 (to be codified at 37 C.F.R. § 1.969), and both the patent owner and the third-party requester may file a reply brief to the examiner's answer. *See id.* at 41,049 (to be codified at 37 C.F.R. § 1.971).

327. *See* H.R. 400, 105th Cong. § 503(e) (1997) (providing that a third-party requester may appeal "under sections 141 to 144 of this title"). 35 U.S.C. 141-44 (1994) provide for direct appeal to the Federal Circuit. Appeal by civil action to the District Court for the District of Columbia, which is provided in 35 U.S.C. § 145 (1994), would be unavailable to the third-party requester. It also would be unavailable to the patentee. Currently, the patentee can appeal by way of section 145. *See* 35 U.S.C. § 306 (1994). Because appeals under § 145 are on a de novo record, this limitation is significant.

328. That is, the third-party requester can participate as a "respondent." H.R. 400 § 503(e); Rules of Practice in Patent Cases: Reexamination Proceedings, 60 Fed. Reg. 41,035, 41,047 (to be codified at 37 C.F.R. §§ 1.962).

329. *See* H.R. 400 § 503(f) (proposing the creation of a new section, to be codified at 35 U.S.C. § 308, laying out circumstances under which reexamination would be prohibited).

Third parties will face an important choice when they reach the latter stages of reexamination and encounter an examiner who is prepared to confirm the patentability of the claims. On the one hand, the third party may now pursue an appeal, an option that was previously unavailable. However, there are estoppel consequences. *See* H.R. 400 § 503(e) (proposing amendments to create 35 U.S.C. § 306(c)). On the other hand, if the third party decides not to appeal, it would appear that the third party need only wait until a reexamination certificate is issued, and then may file another request for reexamination free of any estoppel effect.

party participation implement the central premise of reexamination — that the PTO should retrieve jurisdiction over issued patents and examine them afresh to remedy PTO defects. The very name of the proceeding — reexamination — argues in favor of an ex parte administrative review of validity.

Moreover, at first glance, it must have appeared eminently reasonable to assign this essentially ex parte procedure to a patent examiner in the first instance, because doing so would extend the analogy to original examination.<sup>330</sup> That is, doing so may have seemed to ensure that the same standards would be applied in reexamination as were applied in original examination.<sup>331</sup> While nothing in the reexamination statute mandates that the examiner take initial jurisdiction over reexamination,<sup>332</sup> the PTO's choice to employ examiners as the adjudicators of first instance in reexamination<sup>333</sup> would have seemed sensible in a regime in which the administrative review proceeding must simulate original examination.<sup>334</sup>

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330. The PTO also seems to have had concerns about keeping the best examiners from being withdrawn from the examining groups into a central reexamination group. See Rene D. Tegtmeyer, *Policy Issues in Implementing Reexamination*, 9 APLA Q.J. 214, 218-19 (1981) (commenting that it would have been difficult to ensure adequate examiner expertise in each reexamination proceeding, presumably because of the expected variations in the fields of technology).

331. Unfortunately, this also gave rise to the possibility that the same errors made in original examination likely would be re-made in reexamination.

332. 35 U.S.C. § 303 (1994) provides that the Commissioner shall make the determination of whether a substantial new question of patentability exists, but does not require that the examiner be designated as the agent of the Commissioner for this task. The statute does, however, appear to assume that reexamination will be conducted by the examiner, by providing that reexamination will be conducted “according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title.” 35 U.S.C. § 305 (1994).

333. As to jurisdiction to decide the request, see, for example, 37 C.F.R. § 1.515(a) (1997) (stating that “an examiner will consider the request” for reexamination); MPEP § 2236 (6th ed. 1996) (stating that a reexamination request will ordinarily be assigned to the art unit in which the patent is classified, and within that art unit, the request will be assigned to “the primary examiner most familiar with the claimed subject matter of the patent”). As to jurisdiction to conduct the reexamination after the request has been granted, see, for example, MPEP § 2255 (6th ed. 1996) (stating that reexamination generally will be conducted by the same primary examiner who granted the request, unless grant of the request was achieved by petition to the Commissioner following a denial of the request by the examiner).

334. The PTO also reasonably could have believed that its internal screening and review mechanisms for reexaminations could insulate the system against bias problems that could arise (for example, where the reexamination is assigned to the same examiner who conducted the original examination). MPEP § 2289 (6th ed. 1996) specifies that “[a]ll reexamination cases are screened for obvious errors and proper preparation in

The insistence on an *ex parte*, examiner-centered procedure does, however, entail some significant drawbacks beyond the exclusion of third parties. Responsibility for reexaminations is so diffused throughout the PTO that few examiners have the opportunity to develop expertise in reexamination practice. Yet the need for examiner expertise is particularly acute in third-party-initiated reexaminations in which the reexamined patent is the subject of concurrent infringement litigation. In such circumstances, the third party's request may well include extensive pleadings, deposition testimony, and court documents that may be wholly unfamiliar to examiners. The paucity of examiner expertise, the tendency of reexamination to devolve into a document-intensive, moderately adversarial proceeding, and the added requirement that examiners handle reexaminations with "special dispatch"<sup>335</sup> all contribute towards placing reexamination at the outer edge of examiner competency.<sup>336</sup>

The reexamination reform legislation is manifestly deficient in its failure to appreciate the problems inherent in vesting initial jurisdiction over an *inter partes* matter with a patent examiner. It is both unrealistic and unfair to expect examiners who have little or no legal training to transform themselves on a moment's notice into administrative law judges, much less into capable administrative law judges who can manage and efficiently dispose of vigorously-contested adversarial proceedings. The PTO does not vest examiners with initial jurisdiction over other types of *inter partes* proceedings,<sup>337</sup> and at the very least should be directed by statute not to do so with second-generation reexamination.

The effort to inject *inter partes* character into reexamination proceedings while retaining so much of the existing reexamination scheme may suggest political compromise, but more likely suggests confusion (or ambivalence) about the initial premises on which reexamination was created. To the extent that second-generation reexamination proceedings will be adjudicated initially by examiners, it

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order to issue a certificate. A patentability review will be made in a sample of reexamination cases by the Quality Review Examiners."

335. 37 C.F.R. § 1.550(a) (1997).

336. Professor Wegner, among others, has voiced similar criticisms regarding the use of examiners in the existing reexamination scheme. See WEGNER, *supra* note 101, § 2183, at 286.

337. For example, patent interferences are adjudicated by the Board of Patent Appeals and Interferences. See 37 C.F.R. § 1.614 (1997); MPEP § 2314 (6th ed. 1996) (stating that the Board of Appeals and Interferences has initial jurisdiction in interference proceedings).

also suggests a fair amount of uncertainty about the nature of the examiner's role in the patent system. Is the examiner an advocate for the public interest, searching the prior art for references in order to "protect the general public from unjustified patent monopolies"?<sup>338</sup> If so, the examiner is hardly suited to serve simultaneously as a neutral arbiter of patentability in the context of an inter partes second-generation reexamination proceeding. Is the examiner, by contrast, an expert consultant who serves his clients (patent applicants) by assisting them in properly shaping the scope of the claims?<sup>339</sup> Or is the examiner a "technical judge" who weighs objectively the conflicting interests of the applicant and the public to determine whether to issue a patent?<sup>340</sup> Only the last conception of the examiner's role seems even remotely to align with the goals of second-generation reexamination, and yet it is doubtful that the last conception accurately describes the examiner's function in modern patent systems.

If Congress were interested in designing a new administrative review system that might stand a better chance of actually providing an alternative to litigation, it is inconceivable that Congress would have assumed that initial jurisdiction be vested in a patent examiner. Presumably, Congress would consider vesting jurisdiction over such a system in a panel of experienced administrative law judges, as is done with interferences at the Board of Patent Appeals and Interferences. To the PTO's credit, the PTO will apparently consider creating such an expert tribunal for second-generation reexamination as part of its general

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338. See, e.g., Friedrich-Karl Beier, *The Remedies of the Patent Applicant and His Competitors in Comparison — Balance or Imbalance? A Comparative Law Study*, 20 INT'L REV. INDUS. PROP. & COPYRIGHT 407, 410 (1989) (setting forth a taxonomy of examiner roles, one of which is a conception of examiner as advocate for the public); W. Redin Woodward, *A Reconsideration of the Patent System as a Problem of Administrative Law*, 55 HARV. L. REV. 950, 952 (1942) (exploring the model of examiner as public advocate). The PTO does, after all, bear the burden of proof on patentability (by a preponderance of the evidence), which may seem to place the examiner in the position of an advocate.

339. See Beier, *supra* note 338, at 410. Corporate private sector rhetoric along these lines seems currently in vogue at the PTO and aligns with recent legislative efforts (accompanying the reexamination reform package) to convert the PTO into a government corporation. See, e.g., *Patent Law Reform Legislation: Hearings on H.R. 400 Before the House Comm. on the Judiciary, Courts and Intellectual Property*, 105th Cong. 25 (1997) (statement of Bruce Lehman, Comm'r, PTO) (supporting conversion of the PTO into a government corporation insofar as such a conversion will make the PTO a "customer-oriented, performance-based organization"). However, it is difficult to reconcile the role of "examiner as friendly consultant" with the role of "examiner as neutral arbiter" in the context of second-generation reexamination.

340. See Beier, *supra* note 338, at 410.

proposed realignment of the examining corps.<sup>341</sup> The matter, however, should not be left to the PTO's discretion. Any proposed reform legislation should include a provision expressly vesting initial jurisdiction in an expert tribunal.<sup>342</sup> The failure to include such a provision in the proposed reform package evidences once again the dangers of carrying over built-in assumptions from the reexamination regime.

### *E. Reexamination and Concurrent Litigation*

The relationship between reexamination and concurrent or subsequent litigation is quite complex. Yet the rules that have evolved to define this relationship strongly indicate that the central premise of reexamination is error correction, not replacement of court adjudication of validity. First, the statute tolerates concurrent reexamination and litigation. Second, decisions in reexamination to uphold patent claims against a requester's challenge are not preclusive against the same requester's later challenge to validity in court.

#### 1. Stays of Litigation Pending Reexamination

Legislative proposals for reexamination and other administrative review options have included a wide variety of provisions on the relationship between the administrative review scheme and concurrent or subsequent litigation. For example, some reexamination proposals would have made reexamination a mandatory prerequisite to any court challenge to patent validity on the basis of prior art not previously considered by the PTO.<sup>343</sup> Although Congress originally rejected these

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341. *See, e.g.*, BULLETIN OF THE AM. INTELL. PROP. L. ASS'N 543-44 (1996) (reporting a proposed PTO restructuring under which the current art groups will be replaced by "industry sectors" and reexamination will be handled by a "Reexamination Division," with assistance from the relevant industry sector).

342. *But see, e.g.*, Wegner, *supra* note 150, at 61 (proposing that administrative revocation actions be tried before a "Patent Judge" having training and experience in inter partes matters).

343. *See, e.g.*, SENATE COMM. ON THE JUDICIARY, 96TH CONG., PATENT REEXAMINATION, S. REP. NO. 96-617, at 6-7 (1980) (including provisions that would preclude a patent challenger from relying upon prior art in litigation that had not been before the PTO either during original prosecution or reexamination, unless the court determined that "the interests of justice would be served" by allowing the challenge to proceed). In addition, courts would have been required to grant a stay of litigation of up to four months to allow the patent challenger to search the art and file a reexamination request. *See id.* (stating proposals to 35 U.S.C. § 310). For an example of a mandatory administrative revocation proposal appearing in scholarly commentary, see, for example, Bryan, *supra* note 273, at 195-98 (proposing a compulsory opposition system that would

proposals, the provisions reemerged in 1987 in the form of a proposed amendment to 35 U.S.C. § 282.<sup>344</sup> Commentators quickly assailed the proposal for adding to the cost of patent enforcement, delaying the resolution of disputes, and making little economic sense given the availability of voluntary reexamination, which the parties would presumably choose if economic considerations so dictated.<sup>345</sup>

Other proposals debated prior to enactment of the reexamination provisions would have given the court authority to order the parties into reexamination or to obtain an advisory opinion on validity from the PTO.<sup>346</sup> Still other proposals would have required suspension of either the reexamination proceeding or the court proceeding, depending upon which was first initiated.<sup>347</sup>

Congress ultimately rejected both of these options as well. The reexamination legislation as ultimately enacted was silent on stays, but Congress assumed that courts would rely upon their general power to

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limit validity challenges in litigation to that prior art which could not have been cited by an opposer during an opposition period).

344. See S. 539, 100th Cong. (1987); H.R. 115, 100th Cong. (1987). The legislation would have added the following paragraph to § 282:

In any action involving the validity of a patent, the district court before which such action is pending shall require that any patent or publication not previously considered by the Patent and Trademark Office and relied upon as prior art by the party asserting invalidity be first considered by the Patent and Trademark Office under the [reexamination] provisions of . . . this Title unless the court determines that it is not in the public interest to do so. In making such determination, the district court shall consider all relevant factors, including the complexity of the patented invention and the patents and publications relied upon, the degree to which expert testimony is needed, and the need for a speedy and inexpensive resolution of the pending action. The district court may enter any order just and equitable under the circumstances staying the action, allocating the costs and fees of reexamination, or requiring the submission to the court of periodic reports on the status of the reexamination proceedings.

345. See, e.g., Mark T. Banner and John J. McDonnell, *First-to-File, Mandatory Reexamination, and Mandatory "Exceptional Circumstances": Ideas for Better? Or Worse?*, 69 J. PAT. & TRADEMARK OFF. SOC'Y 595, 610-14 (1987).

346. See, e.g., 1943 COMMISSION REPORT, *supra* note 30, at 463-64 (recommending that district court judges be required to certify the record of a patent infringement suit to the PTO for an advisory report on the validity of the patent).

347. See, e.g., 1966 COMMISSION REPORT, *supra* note 68, at 37 (Recommendation XV) (specifying that "[w]hen the validity of a claim is in issue before both the Patent Office and a court, the tribunal where the issue was first presented shall proceed while the other shall suspend consideration, unless the court decides otherwise for good cause").



stay litigation and would, in fact, frequently grant stays of patent infringement litigation pending reexamination.<sup>348</sup> Here, as with so many other facets of reexamination, Congress accepted compromise at the risk of ambiguity on the intended role of reexamination — whether it would be a litigation *alternative* or a litigation *adjunct*.

While a number of courts have indeed granted motions for stays,<sup>349</sup> the grant of such motions has by no means become automatic.<sup>350</sup>

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348. The House Report suggests that a stay provision was “unnecessary” because courts already possessed the power to stay. Congress expected that courts frequently would exercise that power because the reexamination procedures would “provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.” HOUSE COMM. ON THE JUDICIARY, AMENDING THE PATENT AND TRADEMARK LAWS, H. R. REP. NO. 96-1307, pt. 1, at 4, *reprinted in* 1980 U.S.C.C.A.N. at 6460, 6463; *see also* Gould v. Control Laser Corp., 705 F.2d 1340, 1342 (Fed. Cir. 1983) (holding that stay of litigation pending reexamination is not an appealable final decision, as “[w]hen a district court stays patent validity proceedings before it until completion of a reexamination proceeding, that stay must be accepted if the purpose of the reexamination statute is to be preserved.”).

349. *See, e.g.*, Bausch & Lomb Inc. v. Alcon Lab., Inc., 914 F. Supp. 951 (W.D.N.Y. 1996) (granting a stay even though reexamination request had been filed by non-party to suit at time when discovery had substantially progressed); Target Therapeutics Inc. v. SciMed Life Sys. Inc., 33 U.S.P.Q.2d (BNA) 2022 (N.D. Cal. 1995) (granting stay where litigation was at early stages); Grayling Indus. v. GPAC Inc., 19 U.S.P.Q.2d (BNA) 1872 (N.D. Ga. 1991) (granting stay even where considerable discovery had been completed in the litigation); Emhart Indus. v. Sankyo Seiki Mfg., 3 U.S.P.Q.2d (BNA) 1889 (N.D. Ill. 1987) (same); Ingro v. Tyco Indus., Inc., 227 U.S.P.Q. (BNA) 69 (N.D. Ill. 1985) (same); Loffland Bros. v. Mid-Western Energy Corp., 225 U.S.P.Q. (BNA) 886 (W.D. Okla. 1985) (same).

In *Emhart*, the court listed several advantages to the grant of a stay pending reexamination. *See Emhart*, 3 U.S.P.Q.2d (BNA) at 1890 (stating that a stay pending reexamination could encourage settlement, narrow the complexity and length of any validity dispute in the litigation, reduce the financial burdens on the parties and the court, and, potentially, end the case if the patent is invalidated in reexamination); *see also* Steven M. Auvil, Note, *Staying Patent Validity Litigation Pending Reexamination: When Should Courts Endeavor to Do So?*, 41 CLEV. ST. L. REV. 315, 341-42 (1993) (offering guidelines for the grant of stays including considerations of PTO expertise, the stage of the litigation at which the motion for stay is presented, and the likelihood that granting a stay will simplify any subsequent validity litigation); *Re, supra* note 308, at 970-72 (considering the possibility of stays from the patentee’s perspective); *id.* at 975-76 (considering the strategic advantages and disadvantages of stays from the alleged infringer’s perspective); Robert W. Fieseler, Note, *Staying Litigation Pending Reexamination of Patents*, 14 LOY. U. CHI. L.J. 279 (1983) (presenting guidelines to be considered in determining whether to stay litigation pending reexamination).

350. *See, e.g.*, Gladish v. Tyco Toys, Inc., 29 U.S.P.Q.2d (BNA) 1718 (1993) (denying patentee’s motion for stay where stay would prejudice defendant in its ability to continue discovery on prior use issue); Wayne Automation Corp. v. R.A. Pearson Co.,

Overall, the case law suggests that the confidence placed by Congress in courts' willingness to stay litigation in favor of reexamination was misplaced.

The reexamination reform legislation, although presented as a litigation alternative, will apparently allow district courts to retain discretion as to whether to stay pending litigation in view of reexamination proceedings. It is surprising that the debate over the need for a mandatory stay provision has not resurfaced, given its obvious bearing on whether reexamination functions as a litigation alternative.

## 2. Reexamination and Issue Preclusion

The existing reexamination regime, by contemplating concurrent validity litigation proceedings and reexamination proceedings, has invited disputes over whether determinations made in one proceeding have preclusive effect in the other. Of primary concern is whether a validity determination made in one forum will be followed in the other, under the principles of *stare decisis* or issue preclusion. Another important issue is whether reexamination determinations as to claim scope have preclusive effect.

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782 F. Supp. 516 (E.D. Wash. 1991) (same); *Enprotech Corp. v. Autotech Corp.*, 15 U.S.P.Q.2d (BNA) 1319 (N.D. Ill. 1990) (denying patentee's motion for stay where discovery was almost complete and reexamination would not resolve issues of patentee's alleged inequitable conduct); *Freeman v. Minnesota Mining & Mfg. Co.*, 661 F. Supp. 886 (D. Del. 1987) (commenting that a stay would be inappropriate where discovery was concluded and grant of a stay would allow the alleged infringer to use reexamination purely as a dilatory tactic); *Toro Co. v. L.R. Nelson Corp.*, 223 U.S.P.Q. (BNA) 636 (C.D. Ill. 1984) (denying patentee's motion for stay where suit had been pending for some three and one-half years and defendant had filed a motion for summary judgment on invalidity); *Digital Magnetic Sys. v. Ansley*, 213 U.S.P.Q. (BNA) 290 (W.D. Okla. 1982) (denying motion for stay where reexamination proceeding was initiated after the close of discovery and the PTO had not yet ruled on the reexamination request); *cf. Standard Havens Prod., Inc. v. Gencor Indus., Inc.*, 810 F. Supp. 1072 (W.D. Mo. 1993) (denying motion for stay of injunctive relief in patent infringement action despite pendency of reexamination proceeding), *aff'd* 996 F.2d 1236 (Fed. Cir. 1993). *Standard Havens* provides an excellent example of an unforeseen consequence of the reexamination statute — the patentee may prevail in an infringement action in district court, only to face a reexamination proceeding filed by the alleged infringer after the conclusion of the district court action but before the entry of final judgment.

*But see* *ASCII Corp. v. STD Entertainment USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994) (“[T]here is a liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO reexamination or reissue proceedings.”). It does appear that stays are generally granted when sought by alleged infringers at a reasonably early stage in the litigation, whereas stays are generally denied when sought by patent owner plaintiffs, irrespective of the stage of the litigation.

Regarding validity determinations, the Federal Circuit has defined the basic contours of the law. A court's final judgment of patent *invalidity* binds the PTO in any concurrent or future reexamination through the normal operation of issue preclusion principles.<sup>351</sup> Similarly, a final decision in a reexamination striking down claims binds courts in pending and future litigation.<sup>352</sup>

By contrast, a final court decision upholding validity does not bind the PTO in pending or subsequent reexamination,<sup>353</sup> because the PTO dispenses with the presumption of validity in reexamination and must demonstrate unpatentability only by a preponderance of the evidence.<sup>354</sup> Likewise, a PTO determination to confirm the patentability of claims does not bind the court in later validity litigation.<sup>355</sup> Thus, according to

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351. See *Ethicon, Inc. v. Quinn*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988) (“[I]f a court finds a patent invalid, and that decision is either upheld on appeal or not appealed, the PTO may discontinue its reexamination.”); MPEP § 2286 (6th ed. 1996) (“Upon the issuance of a *final* holding of invalidity . . . , the claims held invalid . . . will be withdrawn from consideration in the reexamination. If all of the claims are *finally* held invalid . . . , the reexamination will be vacated as no longer containing a substantial new question of patentability.”).

352. The reexamination statute gives the PTO authority to cancel any claims finally determined to be unpatentable, see 35 U.S.C. § 307(a) (1994), and the cancellation becomes final after the patent owner exhausts appeal opportunities, see 35 U.S.C. § 306 (1994).

353. See, e.g., *In re Eis*, 1 U.S.P.Q.2d (BNA) 1418, 1420 (Comm’r Pat. & Trademarks 1986) (proceeding with a reexamination of a patent previously held not invalid by a district court).

354. See *Ethicon*, 849 F.2d at 1429. No issue preclusion arises from a court’s decision to uphold patent validity because such a decision simply amounts to a conclusion that the patent challenger before the court failed to meet its burden of overcoming validity. See *id.* at 1429 n.3.

355. Courts reviewing validity must, however, weigh the examiner’s decision in the reexamination; as a consequence, the presumption of validity, while not technically “strengthened” during reexamination (because the Federal Circuit views the presumption merely as a procedural device), may be harder to overcome as to claims that have been tested by reexamination. See, e.g., *Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 961 (Fed. Cir. 1986). *But cf.* *Collins Licensing L.P. v. American Tel. & Tel. Co.*, 11 F.3d 1072 (Fed. Cir. 1993) (unpublished table decision) (reversing denial of judgment as a matter of law on validity where references rendered claim obvious, even though examiner in reexamination had withdrawn a rejection based upon the same combination of references).

Courts considering validity must also make an independent evaluation of the prior art. See *Greenwood v. Hattori Seiko Co., Ltd.*, 900 F.2d 238, 240 (Fed. Cir. 1990) (holding that it was error for the district court to render a judgment of obviousness by merely “reinstating” an examiner’s initial rejection given in a reexamination proceeding while neglecting to analyze the prior art references).

A third-party requester who “loses” in reexamination (either because the PTO

the Federal Circuit, it is quite possible for a court and the PTO to reach different results on a validity issue, even where the evidence is identical in both fora.<sup>356</sup>

Generally, the Federal Circuit has approached cautiously the question whether claim scope determinations in a judicial proceeding preclude reconsideration of that issue in a later judicial proceeding.<sup>357</sup> However, the Federal Circuit has held that a claim interpretation arrived at in a prior court adjudication will bind the patent owner in a subsequent reexamination,<sup>358</sup> without commenting on the differences between the claim interpretation standards used in litigation and those used by the PTO.<sup>359</sup>

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denies the request or because the PTO ultimately confirms the patentability of the reexamined claims) is, of course, not precluded from relitigating the validity issue in subsequent litigation, because the existing reexamination procedures do not provide the third-party requester with a “full and fair opportunity to litigate” the validity issue. *See Jackson-Jordan, Inc. v. Plasser Am. Corp.*, 747 F.2d 1567, 1574 (Fed. Cir. 1984) (setting out the “full and fair opportunity to litigate” standard in another context).

356. The Federal Circuit has summarized its views succinctly:

The awkwardness presumed to result if the PTO and court reached different conclusions is more apparent than real. The two forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions. Furthermore, we see nothing untoward about the PTO upholding the validity of a reexamined patent which the district court later finds invalid. This is essentially what occurs when a court finds a patent invalid after the PTO has granted it. Once again, it is important that the district court and the PTO can consider different evidence. Accordingly, different results between the two forums may be entirely reasonable. And, if the district court determines a patent is not invalid, the PTO should continue its reexamination because, of course, the two forums have different standards for determining invalidity.

*Ethicon*, 849 F.2d at 1428-29.

357. *See, e.g., A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 704 (Fed. Cir. 1983) (“[J]udicial statements regarding the scope of patent claims are entitled to collateral estoppel effect in a subsequent infringement suit only to the extent that determination of scope was essential to a final judgment on the question of validity or infringement”); *Jackson-Jordan*, 747 F.2d at 1577 (holding that the interpretation at issue had to be the reason for the loss in the earlier proceeding in order for the interpretation to be given preclusive effect in the later proceeding). It seems likely that in the post-*Markman* era, in which courts have been given plenary authority to interpret the claims and must elaborate more fully on their claim interpretations and the supporting rationales, issue preclusion on claim interpretation determinations will be more commonplace.

358. *See In re Freeman*, 30 F.3d 1459 (Fed. Cir. 1994).

359. For example, en route to its determination on issue preclusion, the Federal Circuit analyzed whether the claim interpretation issue in the reexamination in *Freeman* was “identical” to that in the litigation. The court observed that in the litigation, the

Courts in a number of cases have held that a patent owner's statements about claim scope in the course of a reexamination can influence a court's later scope determination.<sup>360</sup> These cases do not sound in issue preclusion, but rather draw on the long tradition of using statements in the patent's prosecution history to understand the meaning of terms in the claims.<sup>361</sup>

Finally, PTO determinations in reexamination may have probative value for a variety of issues subsequently made the subject of litigation. For example, determinations in reexamination may affect whether a reference is considered to be "material" in the context of an inequitable

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district judge had expressly interpreted the term "buoyant uplift" appearing in several of the claims, and the reexamination examiner was also called upon to interpret that term, making it "eminently clear" that the identical issue was involved. *See id.* at 1466.

The court also addressed the possibility that issue preclusion was inappropriate because the patent owner was afforded procedural opportunities in reexamination that were not available in litigation — specifically, the ability to amend the claims. The patent owner's ability to amend the claims was limited to amendments made to distinguish the prior art (or, presumably, to satisfy 35 U.S.C. § 112 requirements), and could not be bootstrapped into a justification for injecting broadening amendments into the claims in reexamination in contravention to 35 U.S.C. § 305. *See id.* at 1468.

It would seem that the patent owner might have argued that the district court necessarily interpreted the claim phrase at issue narrowly to preserve the validity of the claims, such that the same claim phrase could properly have been accorded its "broadest reasonable construction" in the subsequent reexamination, a construction that might have justified claim amendments that otherwise would have appeared to broaden the scope of the claim.

360. For post-*Markman* examples, see, for example, *J.T. Eaton & Co., Inc. v. Atlantic Paste & Glue Co.*, 106 F.3d 1563, 1570-71 (Fed. Cir. 1997) (relying on patentee's representations made during reexamination to interpret claims in subsequent litigation); *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 531 (Fed. Cir. 1996) (holding that patent owner is bound by representations concerning claim scope made in her own requests for reexamination); *Raleigh v. Tandy Corp.*, 1997 WL 26299 (N.D. Cal. 1997) (using the patent owner's statements in reexamination proceedings to ascertain meaning of certain means-plus-function limitations). For a pre-*Markman* example, see, for example, *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1270 (Fed. Cir. 1986) (holding that patent owner's statements made in connection with citation of prior art in reexamination may be considered in subsequent litigation). *But cf.* *Total Containment Inc. v. Environ Prods. Inc.*, 921 F. Supp. 1355, 1390 (E.D. Pa. 1995) (noting that third-party requester's representations about claim interpretation during reexamination will not bind the requester as a defendant in subsequent litigation, because "[i]f arguments made in a reexamination request could limit the defense's potential availability in a subsequent patent infringement action, a potential defendant might be reluctant to request reexamination to resolve questions of validity"), *aff'd*, 106 F.3d 427 (Fed. Cir. 1997) (unpublished table decision).

361. See *Vitronics Corp. v. Conceptoronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996), for a post-*Markman* assurance that the prosecution history remains a proper source of evidence for ascertaining the meaning of the claims.

conduct allegation.<sup>362</sup> The Federal Circuit has thus far rejected the argument that a PTO decision to grant a reexamination would give a reasonable competitor a sufficient good faith belief that the patent is invalid to defend against a willfulness charge.<sup>363</sup>

Because the reexamination reform legislation affords enhanced third-party participation in reexamination, the analysis of whether third-party requesters are precluded from relitigating validity or other issues in subsequent litigation will change dramatically. The reexamination reform legislation makes an effort to specify the effect of court validity determinations on pending or future reexaminations. One proposed provision would specify that a court decision sustaining validity against challenge (technically, a judgment of no invalidity) would now collaterally estop the challenger and his or her privies from initiating a reexamination or maintaining a pending reexamination on issues that the challenger “raised or could have raised” in the court action.<sup>364</sup> This partially reverses current law<sup>365</sup> and may simply serve as a counterweight to the increased access afforded to third parties by the liberalization of third-party participation restrictions.<sup>366</sup>

The reform legislation also alters the estoppel effect of PTO reexamination determinations in pending or subsequent litigation. A proposed provision would establish that once a third party participates as a party to an appeal from an examiner’s reexamination determination, the third party is estopped “from asserting at a later time, in any forum, the invalidity of any claim determined to be patentable on appeal on any ground which the third-party requester raised or could have raised during

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362. *See* *Sensonics, Inc. v. Aerosonics Corp.*, 81 F.3d 1566, 1571 (Fed. Cir. 1996) (third-party requester’s omission of prior art reference from reexamination request was strong evidence that reference was not “material” for purposes of inequitable conduct defense asserted in subsequent litigation).

363. *See, e.g.,* *Hoechst Celanese Corp. v. B.P. Chems. Ltd.*, 78 F.3d 1575, 1584 (Fed. Cir. 1996), *citing* *Acoustical Design, Inc. v. Control Elecs. Co.*, 932 F.2d 939, 942 (Fed. Cir. 1991). This is another manifestation of the Federal Circuit’s position that the grant of a request for reexamination has no substantive effect on validity. *See supra* note 354 and accompanying text.

364. H.R. 400 (1997) at § 503(f).

365. *See supra* note 353 and accompanying text for law on this point under the existing reexamination regime. The rule on the estoppel effect of a final court determination of invalidity on a pending reexamination remains intact.

366. *See, e.g.,* *1995 Patents Hearings, supra* note 183, at 40 (prepared statement of Bruce Lehman, Comm’r, PTO) (claiming that even though the reexamination reform legislation would “open up” reexamination to third-party requesters, it would also incorporate “important safeguards” such as the estoppel provisions in order to “ensure that patent reexamination does not become a vehicle for harassing patent owners”).

the reexamination proceedings.”<sup>367</sup> This also reverses prior law in that a PTO confirmation of patentability (once made final) can now potentially estop a third-party requester from renewing the same validity challenge in court.<sup>368</sup>

A critical issue, and one over which litigation will undoubtedly center, is the scope of the “could have raised” language in the proposed provisions.<sup>369</sup> Plainly, validity challenges based on non-documentary prior art will be free of any estoppel because those challenges cannot be raised even in second generation reexamination. As to validity issues based upon documentary prior art, the court will be called upon to decide the extent to which the estoppel provisions preclude third-party requesters from citing additional documentary prior art. Given the practical limitations of prior art searching, it would be unfortunate if the court were to hold that the estoppel provisions foreclose estopped parties from bringing forward newly-discovered art references — i.e., documentary prior art about which the estopped party neither knew nor reasonably should have known.<sup>370</sup> A case-by-case determination of whether the prior art was reasonably within the estopped party’s knowledge (and concomitantly whether the issue is one that “could have been raised” by the estopped party) would be a preferable rule.

The proposed legislation does not speak to the potential estoppel effect of determinations on claim interpretation, another likely flash-point. A difficulty is that the proposed legislation likewise takes no position on the claim interpretation standard that the PTO is to apply during second generation reexamination.

In general, the proposed reforms could entail significant costs by adding complexity to the preclusion issue. The complexities can be traced back to more fundamental uncertainties about the relationship between reexamination and litigation, uncertainties that would be eliminated if Congress adopted a full-fledged post-grant opposition procedure as the model for administrative patent revocation.

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367. See H.R. 400, 105th Cong. (1997) at § 503(e). A third party who files a notice of appeal with the PTO’s Board of Patent Appeals and Interferences, or appeals a Board decision to court, participates as a party within the meaning of the proposed legislation. See *id.* Additionally, a third-party requester who timely files a notice of intent to participate in an appeal to the Board or the court taken by the patent owner is deemed to have participated as a party in the appeal. See *id.*

368. See *supra* note 354 and accompanying text for law on this point under the existing reexamination scheme.

369. *Id.* at §§ 503(e) and (f) (to be codified at 35 U.S.C. §§ 306(c)(1) and 308(b)).

370. Notions of materiality as applied under 37 C.F.R. § 1.56 (1997), and by the court in adjudicating inequitable conduct, may be useful.

*F. Reexamination and the Jury Trial Issue*

## 1. The “Public Rights” Doctrine

The Constitutional ramifications of allowing reexamination to proceed concurrently with validity litigation were explored in two key Federal Circuit cases, *Patlex I*<sup>371</sup> and *Joy Technologies*.<sup>372</sup> In *Patlex I*, the patent owners (Patlex and Gould) had filed an infringement suit against Control Laser and had demanded a jury trial. A short time before the trial, Control Laser requested reexamination of the patent-in-suit and moved successfully for a continuance of the trial pending the outcome of the reexamination.<sup>373</sup> Patlex filed papers in the PTO requesting that the PTO stay the reexamination proceedings “in light of the extensive and completed preparations for trial,” but the PTO refused.<sup>374</sup> Patlex then sued the Commissioner, contending, inter alia, that the retroactive application of the reexamination provisions deprived Patlex of a jury trial on validity in contravention to the Seventh Amendment, and likewise deprived Patlex of the historic right to have validity determined in an Article III court.<sup>375</sup>

The *Patlex I* court relied upon the “public rights” doctrine to resolve the Seventh Amendment and Article III issues:

[T]he grant of a valid patent is primarily a public concern. Validity is often brought into question

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371. *Patlex I*, 758 F.2d 594 (Fed. Cir. 1985)

372. *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992).

373. *See Patlex I*, 758 F.2d at 597.

374. *Id.* The PTO cited 37 C.F.R. § 1.530(a) (forbidding the patent owner to file papers prior to the “substantial new question of patentability determination” by the PTO) and MPEP § 2286 (“If reexamination is ordered the reexamination will continue until the Office becomes aware that a trial on the merits has begun at which time the reexamination will be stayed, sua sponte, by the examining group director . . .”).

375. *See Patlex I*, 758 F.2d at 603. Patlex also challenged the retroactive application of the reexamination provisions as violative of the due process guarantee of the Fifth Amendment, and challenged various regulations and MPEP provisions as likewise offending due process. As to the former, the Federal Circuit held that the overriding curative purpose embodied in the reexamination provisions was entitled to great weight, and that the retroactive application of the reexamination provisions to extant patents was not an arbitrary or irrational means to achieve the desired curative purpose. *See id.* at 602-03. As to the latter, the Federal Circuit initially held that the patent owner lacked standing to bring the challenge, *see id.* at 604-05, then modified its ruling on rehearing. *See Patlex Corp. v. Mossinghoff (“Patlex II”)*, 771 F.2d at 986-90 (upholding 37 C.F.R. § 1.530(a) and 37 C.F.R. § 1.26(c) (a fee regulation), but striking down the PTO’s “rule of doubt” embodied in MPEP §§ 2240 and 2244).



between two parties, but the threshold question usually is whether the PTO, under the authority assigned to it by Congress, properly granted the patent. At issue is a right that can only be conferred by the government.<sup>376</sup>

The court reached this conclusion despite Supreme Court precedent establishing in the context of a reissue proceeding that an issued patent could not be set aside other than by an Article III court.<sup>377</sup> According to the court, reissue was created to correct errors made by the inventor, while reexamination had a much different curative purpose: to “remedy defective governmental (not private) action.”<sup>378</sup> Congress had designed the reexamination scheme to facilitate the presumptively correct objective of correcting governmental errors in patent issuance, and such a scheme “carries no insult to the Seventh Amendment and Article III.”<sup>379</sup>

Some seven years later, a patent owner renewed the challenge to the reexamination system on Seventh Amendment grounds.<sup>380</sup> In *Joy Technologies*, the patent owner conceded that it was challenging the reexamination system on the same Constitutional grounds that were raised and rejected in *Patlex I*, but asserted that intervening Supreme Court precedent had undermined the “public rights” doctrine.<sup>381</sup>

The Federal Circuit disagreed. One of the Supreme Court cases<sup>382</sup> adhered to the general teaching of prior “public rights” cases such as those relied upon in *Patlex I*, according to the Federal Circuit.<sup>383</sup> Another Supreme Court case likewise failed to support the Constitutional challenge to the reexamination system.<sup>384</sup> According to the Federal Circuit, it merely reiterated the rule that the Seventh Amendment preserves the right to a jury trial in actions analogous to suits at common law.<sup>385</sup> The patent owner’s attempt to analogize the reexamination scheme to a suit at common law failed:

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376. *Patlex I*, 785 F.2d at 604 (citation omitted).

377. *See id.* (referring to *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898)).

378. *Id.*

379. *Id.*

380. *Joy Techs.*, 959 F.2d at 228.

381. *Id.*

382. *See Granfinanciera v. Nordberg*, 492 U.S. 33 (1989).

383. *See Joy Techs.*, 959 F.2d at 228-29.

384. *See Tull v. United States*, 481 U.S. 412 (1987).

385. *See Joy Techs.*, 959 F.2d at 229.

Joy argues that the reexamination proceeding should be construed as most like a declaratory judgment action where the PTO is seeking a determination that Joy's patent is invalid. It admits, however, that the PTO could not bring such a suit. Thus, there is no basis to recharacterize the statutory procedure established by Congress in the reexamination statute.<sup>386</sup>

*Patlex I* and *Joy Technologies* teach two critical lessons about the Seventh Amendment impact on the administrative adjudication of patent validity. First, because of the tie between administrative patent revocation and the public rights doctrine, the Seventh Amendment impact of proposed reexamination reform will vary as the public rights doctrine continues to evolve. A more restrictive approach to the public rights doctrine could lead to serious questions about whether the existing reexamination scheme complies with the jury trial guarantee. Second, even assuming the continued existence of a vigorous public rights doctrine, if the reexamination system is amended to become more closely "analogous" to a suit at common law, the rationale of *Patlex I* and *Joy Technologies* is necessarily undercut. Both lessons will be crucial as applied to second generation reexamination or alternative administrative review regimes.

## 2. Second-Generation Reexamination and the Jury Trial Issue

It seems inevitable that the second-generation reexamination scheme will spawn another *Patlex II/Joy Technologies* constitutionality challenge.<sup>387</sup> That is, a patentee who is forced into a second-generation reexamination proceeding by a third-party request, and has claims canceled from the patent as a result, will surely allege deprivation of a right to try validity before a jury. The Federal Circuit, and perhaps the Supreme Court, will again have to confront the question of whether a reexamination scheme is sufficiently "analogous to a suit at common

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386. *Id.*

387. Writing shortly after *Joy Technologies*, and prior to the emergence of formal legislative proposals to amend the reexamination scheme, Professor Adelman speculated that "[i]f Congress changed the reexamination system so that it more closely approached the adversary system used by the federal trial courts, *Granfinanciera* suggests that there may be some point on the spectrum where a right to jury attaches." Adelman, *supra* note 165, at 22. Professor Adelman goes on to assert that the public rights doctrine nevertheless provides a basis for "creative activity by Congress" in assigning responsibility for the adjudication of patent validity. *Id.*

law” to trigger a jury trial guarantee.

Quite obviously, the second-generation reexamination system more resembles common law adjudication than does the current reexamination scheme; that, indeed, is the stated objective of reexamination reform. A dissatisfied patentee would undoubtedly argue that the opportunities for third-party participation in reexamination before the examiner and at the Board level<sup>388</sup> transform reexamination into a close analog to court validity adjudication.

It is not at all clear that the public rights doctrine as applied in *Patlex I* and *Joy Technologies* would save the second-generation reexamination scheme as it did the first. To begin with, the public rights rationale has arguably been eviscerated by the Federal Circuit’s decision in *Lockwood*, in which the court extended the jury trial right in a declaratory judgment action for invalidity.<sup>389</sup> As Judge Nies pointed out in dissent, although the *Lockwood* majority does not explicitly overrule *Patlex I* and *Joy Technologies*, those decisions seem irreconcilable with *Lockwood*.<sup>390</sup>

Moreover, recent scholarship takes a dim view of the Supreme Court’s public rights jurisprudence generally.<sup>391</sup> In particular, some commentators have attacked the public rights doctrine as “politically-determined functionalism,” and their analytical model of “functionalism” in the context of constitutional review includes the possibility that constitutional dictates will give way to majoritarian social and political interests.<sup>392</sup> They acknowledge that judicially determined functionalism — i.e., judicial reliance on functionalist concerns to limit

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388. See *supra* Part III.D.

389. See *In re Lockwood*, 50 F.3d 966 (Fed. Cir. 1995), *vacated sub nom* American Airlines v. Lockwood, 515 U.S. 1182 (1995) (mem.). For a full discussion of this case, see *supra* note 168 and accompanying text.

390. See *Lockwood*, 50 F.3d at 983.

391. See, e.g., Mark I. Greenberg, *The Right to Jury Trial in Non-Article III Courts and Administrative Agencies after Granfinanciera v. Nordberg*, 1990 U. CHI. LEGAL. F. 479 (1990) (maintaining that the Court must guard against expansion of the public rights doctrine by establishing “realistic limits to the congressional creation of administrative tribunals without juries”); Kenneth S. Klein, *The Validity of the Public Rights Doctrine in Light of the Historical Rationale of the Seventh Amendment*, 21 HASTINGS CONST. L.Q. 1013 (1994) (arguing that neither sovereign immunity nor separation of powers principles justify a public rights exception to the Seventh Amendment); Martin H. Redish & Daniel J. La Fave, *Seventh Amendment Right to Jury Trial in Non-Article III Proceedings: A Study in Dysfunctional Constitutional Theory*, 4 WM. & MARY BILL RTS. J. 407 (1995) (criticizing the public rights doctrine as being founded solely on a “functionalist-abdication” analytical model under which the majoritarian legislature establishes the scope of countermajoritarian constitutional dictates).

392. Redish & LaFave, *supra* note 391, at 442.

the scope of a constitutional dictate in a given case — may be consistent with democratic constitutional theory under limited circumstances.<sup>393</sup> However, they view politically-determined functionalism as posing a considerable threat to the continued viability of countermajoritarian constitutional limitations,<sup>394</sup> and they consider the Supreme Court's reliance on the public rights doctrine in Seventh Amendment cases as a classic example of politically-determined functionalism.<sup>395</sup>

Two responses appear to be in order in the context of the Seventh Amendment implications for patent validity determinations. First, patents may simply be creatures of a legal regime so different (or perceived as so different) from mainstream civil litigation that a determination that patents are public rights and a corresponding determination that patent validity adjudication is outside the reach of the Seventh Amendment might not pose a realistic danger of significant spillover effects.

Second, it would seem ironic to condemn the public rights doctrine as a flirtation with functionalism where the traditional Seventh Amendment historical analysis as applied to a given patent issue results in the same functionalist inquiry. *Markman* provides a recent example of precisely this phenomenon. The Supreme Court observed in *Markman* that, on the issue of the right to a jury trial on patent claim interpretation, the Seventh Amendment historical analysis provided no clear answer.<sup>396</sup> Accordingly, the Court was free to turn to “functional considerations” to decide whether claim interpretation should be assigned to judge or jury.<sup>397</sup> As the Court saw it, considerations of competency (specifically,

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393. For example, Redish and La Fave admit to the propriety of “pragmatic formalism,” under which a court may define ambiguous terms by considering policy and tradition in addition to precedent and linguistic analysis. *See id.* at 443 n.181.

394. In a model of politically determined functionalism (a “functionalist-abdication” model, in Redish and La Fave’s terminology), the political branches of government make the determination as to whether competing social and political concerns should outweigh a constitutional dictate. *See id.* at 444.

395. To Redish and La Fave, “[t]he Court’s reliance on the ‘public rights’ doctrine as a basis for deference to Congress amounts to little more than a thin veil of principle for the vast functionalist deference that is at work.” *Id.* at 449. Indeed, they see the expansion of the public rights doctrine from cases involving the government as a party to cases involving “public issues” even between two private parties as a degeneration of the public rights doctrine itself into a functionalist analysis. *See id.* This assertedly “inverts two fundamental precepts of American constitutional theory,” namely “the supremacy of the Constitution over conflicting congressional legislation and the power of the countermajoritarian judiciary to sit as the final arbiter of the Constitution’s limits on the actions of the majoritarian branches.” *Id.* at 452.

396. *See Markman v. Westview Instruments, Inc.*, 116 S.Ct. 1384, 1395 (1996).

397. *See id.*

the judge's perceived superior competency to interpret written instruments, a product of judicial expertise) and uniformity in adjudication counseled in favor of assigning the claim interpretation question solely to the judge.<sup>398</sup>

*Lockwood* illustrates that this same proposition applies to the issue of jury trial rights in validity adjudication. In *Lockwood*, the panel majority offered a plausible Seventh Amendment historical analysis tending to show a historical right to trial by jury on patent validity,<sup>399</sup> while Judge Nies' dissent offered an equally plausible historical analysis showing the opposite.<sup>400</sup> It would be reasonable for a future court to conclude, as did the Supreme Court in *Markman*, that the historical analysis offers no clear answer, leaving the question of Seventh Amendment limitations on administrative patent revocation to be decided on the basis of functional considerations such as competency and uniformity. When those considerations are applied to validity adjudication, it seems clear that an administrative revocation scheme could be upheld against Seventh Amendment challenge. A court could easily conclude that considerations of relative competency, for example, favor shifting validity adjudication to the PTO.

It would be rash to attempt to predict the outcome of the debate over Seventh Amendment jury trial rights on patent validity. It should be recognized, however, that the outcome of the debate may well dictate whether second generation reexamination, or any other more expansive form of administrative patent revocation, can exist at all in U.S. patent jurisprudence. The approach espoused by the *Lockwood* majority could be construed to preclude Congress altogether from enacting ambitious schemes for administrative patent revocation.<sup>401</sup> The better approach would be to reject the *Lockwood* majority on the basis of either the public rights doctrine (following the reasoning of Judge Nies' dissent)<sup>402</sup> or the Seventh Amendment historical analysis (again as enunciated in Judge Nies' dissent).<sup>403</sup> Alternatively, the court should recognize the futility of the historical analysis and resolve the matter on functional considerations as discussed above.

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398. *See id.* at 1395-96.

399. *See Lockwood*, 50 F.3d at 971-76.

400. *See id.* at 983-985 (Nies, J., dissenting).

401. However, leading scholars have criticized *Lockwood's* approach. *See, e.g.,* MARTIN J. ADELMAN, 3 PATENT LAW PERSPECTIVES 7-218.4 (1996). Also, courts should note that *Lockwood* preceded the Supreme Court's latest enunciation of the implications of the Seventh Amendment for patent law in *Markman*.

402. *See Lockwood*, 50 F.3d at 980-82.

403. *See id.* at 983-85.

#### IV. TOWARDS A VIABLE ADMINISTRATIVE REVOCATION SYSTEM

Reexamination, although partially justifiable in its initial incarnation as a curative measure, has largely proven to be a failure. Second-generation reexamination, for the reasons discussed, also seems destined to fail as an adequate litigation alternative. This makes plain the proposition that the concept of reexamination should be discarded, but leaves unanswered the question of what should be the PTO's role in resolving validity disputes.

A reevaluation of the PTO's role with regards to the validity of issued patents should begin with a careful assessment of existing inter partes administrative review schemes that might serve as analogs for a new administrative patent revocation system. It should also take into account other proposed patent law reforms, particularly the proposal to publish pending patent applications. The following Part attempts to assess these matters, ending with a review and analysis of recent proposals to incorporate genuine inter partes review proceedings into United States patent law.

##### *A. Alternatives from U.S. Trademark Law: Trademark Oppositions and Cancellations*

Nearly a quarter of a century ago, before the United States settled on reexamination, at least one commentator noted that U.S. trademark inter partes administrative procedures might serve as a model for an administrative review scheme for patent validity.<sup>404</sup> However, this idea does not appear to have been explored thoroughly in scholarly commentary, nor does it appear to ever have entered the legislative debate in any prominent fashion.

United States trademark law has retained, without serious complaint, the traditional two-tiered hierarchy of inter partes proceedings<sup>405</sup> consisting of a pre-grant opposition procedure (supported by a publication scheme) coupled with a post-grant cancellation procedure.<sup>406</sup> While

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404. See Marquis, *supra* note 33, at 99-100.

405. See *supra* note 104 and accompanying text.

406. Trademark oppositions are governed by Lanham Act § 13, 15 U.S.C. § 1063 (1994), and are sometimes perceived as emphasizing the error-correction function. See *In re Shell Oil Co.*, 992 F.2d 1204, 1209 (Fed. Cir. 1993) (stating that trademark opposition procedure is intended "to remedy oversight or error, not to substitute for the examination process"). To facilitate pre-grant opposition, the Lanham Act authorizes the PTO to publish pending trademark applications which appear, upon examination, to

it would be naive to suppose that trademark inter partes procedures could simply be incorporated wholesale into U.S. patent law as a replacement for reexamination, the PTO's long experience with trademark inter partes proceedings should prove invaluable in the design of more effective administrative review procedures for the patent system.<sup>407</sup>

### 1. Standing and Other Threshold Considerations

Notably, the trademark inter partes proceedings do not rely upon a "substantial new question" requirement. Instead, trademark oppositions and cancellations are subject to a low-level standing requirement<sup>408</sup>

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be entitled to registration. *See* Lanham Act § 12(a), 15 U.S.C. § 1062(a) (1994).

Trademark cancellations are governed by Lanham Act § 14, 15 U.S.C. § 1064 (1994) and serve as a "second backstop" to ex parte examination of an application for federal registration. *See* J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 20.12[1] (3d ed. 1996).

The two-tiered hierarchy does not apply to trademarks sought to be registered on the Supplemental Register. *See* Lanham Act § 24, 15 U.S.C. § 1092 (1994) (specifying that applications to register marks on the Supplemental Register are published only upon registration, eliminating the opportunity for opposition, but are subject to cancellation proceedings at any time).

407. Important differences between trademark inter partes proceedings and any reasonable proposed patent inter partes proceedings exist. It could be argued that trademark inter partes proceedings are inherently less complicated factually; thereby, they are less prone to lead to delay and undue expense for the participants. It also could be argued that participants place less stress on restrictive practices employed in trademark inter partes proceedings because the stakes are not as high as they would be in an analogous patent proceeding. Trademark proceedings might result in the refusal or extinguishment of a federal registration, but the trademark owner could still pursue unfair competition theories. By contrast, a patent cancellation proceeding could result in the destruction of any patent infringement cause of action. These considerations, in my view, do not go so far as to undermine the basic premise that the patent system could selectively incorporate features from the trademark inter partes procedures.

It might also be advisable to consider what might be learned from existing patent interference practice, another administrative inter partes proceeding of long standing in United States law. However, most (if not all) of the procedures developed in connection with interferences relate to the idiosyncracies of proving invention date and do not appear to hold much promise as a model for broader patent validity inquiries.

408. *See* Lanham Act § 13, 15 U.S.C. § 1063 (1994) (specifying that the opposer must demonstrate a belief that he would be damaged by registration of a mark). While the prototypical showing for standing would involve a showing that the opposer has a proprietary interest in the mark (e.g., acquired by prior use of the mark), standing requirements have been relaxed sufficiently such that it is only necessary for the opposer to show a personal interest beyond that of the general public. *See, e.g.,* Books on Tape, Inc. v. Booktape Corp., 836 F.2d 519, 520 (Fed. Cir. 1987) (concluding that competitor had standing to petition for cancellation); Jewelers Vigilance Comm., Inc. v. Ullenberg Corp., 823 F.2d 490 (Fed. Cir. 1987) (concluding that a trade association had standing

which courts have applied generously.<sup>409</sup>

The liberal standing requirement might, in isolation, seem susceptible to abuses, but in context it appears to operate well. The standing requirement is supplemented by a fee requirement<sup>410</sup> and a strict deadline for initiating inter partes proceedings. Oppositions must be initiated within 30 days after publication of the application.<sup>411</sup> Cancellations can be initiated within five years of the date of registration<sup>412</sup> on any grounds, but thereafter may only be initiated on very limited grounds.<sup>413</sup>

An effective inter partes post-grant procedure for the patent system whose overriding vision was to provide an effective alternative to patent litigation would dispense with the “substantial new question” requirement and, following the lead of the trademark inter partes proceedings, substitute a low-level standing requirement (or perhaps no standing requirement at all) and consider including other limitations to deal with potential harassment concerns.<sup>414</sup>

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to oppose); *FBI v. Societe “M. Bril & Co.”*, 172 U.S.P.Q. (BNA) 310 (T.T.A.B. 1971), *aff’d*, 187 U.S.P.Q. (BNA) 685 (D.D.C. 1971) (concluding that a government agency had standing to oppose). No showing of any actual damage need be made. *See Harjo v. Pro Football, Inc.*, 30 U.S.P.Q.2d (BNA) 1828 (T.T.A.B. 1994) (concluding that a group representing Native Americans has standing to petition to cancel registration of “Redskins” for NFL franchise and that this analysis extends to oppositions as well).

409. Professor McCarthy avers that courts in more modern cases have consistently de-emphasized standing requirements. *See MCCARTHY, supra* note 406, at § 20.02[2][b]. *But cf. Ritchie v. Simpson*, 41 U.S.P.Q.2d (BNA) 1859 (T.T.A.B. 1997) (rejecting standing of self-described “family man” to oppose, on grounds of moral outrage, applications filed on behalf of O.J. Simpson to register marks in connection with various products); *Morton Foods., Inc. v. Frito Co.*, 314 F.2d 822 (C.C.P.A. 1963) (rejecting standing where opposer’s only claim to damage is applicant’s threat or actual filing of infringement suit against opposer).

410. *See Lanham Act* § 13(a), 15 U.S.C. § 1063(a) (1994) (oppositions); *Lanham Act* § 14, 15 U.S.C. § 1064 (1994) (cancellations).

411. *See Lanham Act* § 13(a), 15 U.S.C. § 1063(a) (1994). Extensions of time are available. *See id.*

412. *See Lanham Act* § 14(1), 15 U.S.C. § 1064(1) (1994).

413. *See, e.g., Lanham Act* § 14(3), 15 U.S.C. § 1064(3) (1994) (allowing cancellation at any time if the registered mark becomes generic, has been abandoned, has been obtained by fraud, or is being used to misrepresent the source of goods or services). The five-year limitation on cancellations correlates with the incontestability provision of *Lanham Act* § 15, 15 U.S.C. § 1065 (1994).

Cancellation is additionally limited as compared to patent reexamination in that the PTO cannot itself initiate a cancellation proceeding. *See, e.g., Golden Gate Salami Co. v. Gulf States Paper Corp.*, 332 F.2d 184 (C.C.P.A. 1964).

414. For example, a one-way fee shifting provision could be put into place, exposing third-party petitioners to liability for the patentee’s attorney fees should the procedure fail to result in claim cancellation. *See infra* note 509 and accompanying text. Another possibility would be to incorporate a time deadline for initiating the proceedings, just as



Alternatively, an effective review system might seek a middle ground in fashioning threshold requirements. For example, the procedures could provide that allegations of anticipation based solely upon documentary prior art (the most straightforward imaginable validity challenge) could be made part of a third party's petition at any time during the life of the patent, while other challenges requiring more complex proofs could only be brought during a limited time period after patent issuance. Whether the administrative costs associated with this more complex regime would be worth the benefits is a matter best left to experience.

Either of these designs is superior to the "substantial new question" requirement that saddles reexamination currently and would continue to do so under the proposed second generation system. The trademark threshold requirements (or variants, as discussed) are simpler to apply and better suited to an inter partes administrative system that seeks to provide an attractive alternative to litigation.

## 2. Expert Panel

Trademark inter partes proceedings are not merely distinct from patent reexamination proceedings insofar as threshold requirements are concerned. The trademark law does not attempt to burden individual PTO examiners with responsibility for managing and adjudicating contested proceedings, nor does it simply leave this crucial matter to the PTO's discretion. Instead, the Lanham Act explicitly vests initial jurisdiction over trademark inter partes proceedings in the Trademark Trial and Appeal Board ("TTAB")<sup>415</sup> and directs the TTAB to sit as a panel of at least three members when it hears inter partes matters.<sup>416</sup> The losing party can appeal to federal district court or directly to the Federal Circuit.<sup>417</sup>

This familiar, proven model of the expert administrative panel should be made part of any sensible legislative proposal for the administrative review of patent validity. Use of an expert panel would

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the trademark inter partes proceedings do. *See infra* note 511 and accompanying text for a suggestion that the time deadline issue be approached with caution.

415. *See* Lanham Act § 17, 15 U.S.C. § 1067 (1994). The provision does give the PTO Commissioner considerable discretion in appointing Board members, the only major proviso being that the appointees be "competent in trademark law." *Id.*

416. *See id.*

417. *See* 15 U.S.C. § 1071(b) (1994) (providing for appeal to federal district court, and thereafter to the Federal Circuit); 15 U.S.C. § 1071(a) (1994) (providing for appeal directly to the Federal Circuit).

by itself constitute a vast improvement over the current reexamination scheme for reasons already discussed.<sup>418</sup>

### 3. Substantive Scope and Conduct of the Proceedings

#### a. Substantive Scope

Trademark inter partes administrative proceedings include no analog to *Recreative Technologies*.<sup>419</sup> To be certain, the trademark regime is not burdened with a “substantial new question” requirement, and thus avoids the vexing issue of distinguishing “new” issues from “old” ones. More importantly, though, the trademark system has avoided incorporating the unstated assumption of *Recreative Technologies* that the substantive scope of an administrative review proceeding is constrained by the substantive scope of the threshold requirement.

Instead, the trademark system takes a more conventional approach.<sup>420</sup> Once the standing requirements have been met, an opposer may rely upon any ground that negates validity<sup>421</sup> in an opposition proceeding, and a cancellation petitioner may likewise rely upon any ground that negates validity<sup>422</sup> until the mark becomes incontestable.<sup>423</sup> Even the full range of equitable defenses that would ordinarily be available in court adjudication are expressly made available in trademark inter partes proceedings.<sup>424</sup> This mirroring of substantive scope is essential if inter partes administrative proceedings for patent validity are

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418. See *infra* note 434 and accompanying text for a discussion of expert panels in the European patent system.

419. For a discussion of *Recreative Technologies*, see *supra* note 261 and accompanying text.

420. See, e.g., *Western Worldwide Enters. Group, Inc. v. Qinqado Brewery*, 17 U.S.P.Q.2d (BNA) 1137 (T.T.A.B. 1990) (noting that standing requirements in trademark inter partes proceedings are distinct from the merits). Nonetheless, the substantive scope of the opposition is circumscribed by the allegations in the opposer’s notice of opposition. See *Midland Int’l Corp. v. Midland Coops., Inc.*, 434 F.2d 1399 (C.C.P.A. 1970) (neither court nor TTAB may consider grounds not raised in the notice of opposition).

421. See *Estate of Biro v. Bic Corp.*, 18 U.S.P.Q.2d (BNA) 1382 (T.T.A.B. 1991).

422. See, e.g., *International Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087 (Fed. Cir. 1984) (confirming that for a principal register registration less than five years old, cancellation may be based upon any ground that would have negated validity initially).

423. For a principal register registration more than five years old, cancellation can be based only upon the grounds specified in 15 U.S.C. § 1064 (1994). See *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575 (Fed. Cir. 1990).

424. See Lanham Act § 19, 15 U.S.C. § 1069 (1994).

ever to serve as a viable alternative to court adjudication.

b. Presumption of Validity

The trademark inter partes proceedings also carry over intact the evidentiary standards from court adjudication of protectability. For example, in trademark cancellation proceedings, the registered mark enjoys a presumption of validity, just as it would in a court, and the party seeking cancellation bears the burden of overcoming the presumption by a preponderance of the evidence.<sup>425</sup>

c. Discovery and "Trial"

Generally, discovery in a trademark inter partes proceeding is governed by the Federal Rules of Civil Procedure as they existed prior to the December 1993 amendments.<sup>426</sup> The TTAB customarily establishes a limited time period during which discovery may be taken.<sup>427</sup>

"Trial" procedures fashioned for trademark inter partes proceedings seem particularly promising as a model for administrative review proceedings dealing with patent validity. Although the rules governing trademark inter partes proceedings "are designed to approximate the proceedings in a courtroom trial,"<sup>428</sup> they appear reasonably designed to accomplish that goal without unduly complicating the proceedings. For example, trial in a trademark inter partes proceeding ordinarily does not involve a live hearing, avoiding the extraordinary costs that inevitably accompany such proceedings. Instead, the TTAB establishes a

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425. See *West Florida Seafood, Inc. v. Jet Restaurants, Inc.*, 31 F.3d 1122, 1124 (Fed. Cir. 1994). In an opposition, of course, no presumption of validity yet attaches. See *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1472 (Fed. Cir. 1987). *But cf. Yamaha Int'l Corp. v. Hoshino Gakki Co.*, 840 F.2d 1572, 1576 (Fed. Cir. 1988) (opposer bears the burden of proof in an opposition proceeding).

426. See Trade Mark Rules of Practice [hereinafter "T.M.R.P."] § 2.120 (stating that Federal Rules of Civil Procedure govern unless otherwise provided); 1159 Official Gazette of U.S. Trademark Office 14 (Feb. 1, 1994) (declining to adopt amended procedures); T.M.R.P. § 2.116(a) (same).

427. The incorporation of civil discovery rules into the proceedings does, of course, create the potential for discovery abuses of the type that can make federal court litigation lengthy and expensive. Further limitations on the scope of discovery may prove necessary for administrative patent revocation, but Congress should start with the model used in trademark inter partes proceedings and impose stricter limitations on discovery only if experience demonstrates a compelling need to so do.

428. *Yamaha*, 840 F.2d at 1578.

“testimony period” during which testimony can be taken (i.e., formalized for presentation to the TTAB) by testimonial deposition, with the opponent being given the opportunity to attend and cross-examine.<sup>429</sup> After the testimony period, the parties customarily submit briefs and, in the rare case, participate in what amounts to an oral closing argument at a hearing in Washington, D.C.<sup>430</sup> Each of these features should be considered for inclusion in any patent validity inter partes proceedings that may replace reexamination.

#### 4. Lessons from Trademark Inter Partes Proceedings

The existing trademark inter partes proceedings supply a good deal of the procedural framework for a viable patent validity inter partes review proceeding. Importantly, trademark inter partes procedures dispense with elaborate threshold requirements and establish an expert panel to hear disputes. They track the substantive scope of validity defenses that would be available in court and allow registrants to retain procedural advantages on validity. Finally, they seek to provide abbreviated procedures that appropriately balance the need to control cost and complexity against the need to provide adequate opportunities for inter partes challenges.<sup>431</sup>

#### *B. Alternatives From Foreign Patent Law*

Major patent jurisdictions in Europe have had long experience with administrative review procedures — oppositions, revocations, and “nullity” proceedings — for adjudicating patent validity.<sup>432</sup> While that experience led most U.S. observers in the mid-twentieth century to reject European systems as too costly and complicated, that assessment should be revisited in view of the escalating costs of patent litigation and the increasingly urgent need to find a mechanism outside the traditional court system for resolving patent validity disputes. First, the experience

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429. See generally T.M.R.P. § 2.116.

430. See *id.* Professor McCarthy points out that these procedures correspond to “the ancient method of trial in Chancery Court equity proceedings, where the main source of evidence offered was the record of oral depositions.” MCCARTHY, *supra* note 406, at § 20.28[1].

431. Still another advantage lies in the fact that many of the regulations governing the mechanics of “discovery” and “trial” before the TTAB have recently undergone thorough study in the course of proposed updating. See Miscellaneous Changes to Trademark Trial and Appeal Board Rules, 62 Fed. Reg. 30,802 (June 5, 1997).

432. See *supra* note 104 and accompanying text.

with so-called “oppositions” under the European Patent Convention (“EPC”) should be studied for its possible relevance to a new U.S. administrative review proceeding. Second, patent revocation and nullity proceedings in national jurisdictions, especially the United Kingdom and Germany, should be examined.

## 1. European Post-Grant Opposition Proceedings

### a. Standing and Other Threshold Considerations

European oppositions,<sup>433</sup> which are governed by Part V, Articles 99-105 of the EPC, may be initiated only after grant,<sup>434</sup> within a limited time.<sup>435</sup> Thus, the use of the term “opposition” — formerly used to

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433. For a brief overview of European opposition procedures, see Paolo Gori, *The European Patent Grant System and How It Ties in with Revocation Proceedings*, 21 INT’L REV. INDUS. PROP. & COPYRIGHT L. 452 (1990). For a more extended discussion, see GERALD PATERSON, *THE EUROPEAN PATENT SYSTEM: THE LAW AND PRACTICE OF THE EUROPEAN PATENT CONVENTION* 188-231 (1992); RAPH LUNZER ET AL., *SINGER: THE EUROPEAN PATENT CONVENTION (ENGLISH ED.)* 459-529 (1995) [hereinafter LUNZER]; CHARTERED INST. OF PAT. AGENTS, *EUROPEAN PATENTS HANDBOOK* Ch. 25 (2d ed. 1993).

434. The basic procedures leading to grant are relatively uncomplicated. Contemporaneously with the publication of the application, or at a later time, a prior art search report is published. *See* Convention on the Grant of European Patents, Oct. 5, 1973, art. 92, 1065 U.N.T.S. 199 [hereinafter EPC]. The patent applicant is then given six months during which to request that the European Patent Office (“EPO”) initiate substantive examination. *See id.* at art. 94. If the Examining Division determines that the application meets all of the requirements for patentability, and other formal conditions are met, then the Examining Division must grant a European patent for the designated countries. *See id.* at art. 97(2). Upon grant of a European patent, the patent owner receives the same rights in each of the designated states as would be conferred by national patents granted in those states, effective as of the date on which mention of the grant is made in the European Patent Bulletin. *See id.* at art. 97(4). The EPO then will publish the application as granted. *See id.* at art. 98.

435. *See id.* at art. 99(1). The time period extends nine months after the publication of the mention of grant. However, even after the time limit for initiating an opposition has passed, a third party against whom infringement litigation has been initiated, or who has initiated an action for a declaration of no infringement in response to a threat, may intervene in any ongoing opposition within three months of the date on which the infringement action was instituted. *See id.* at art. 105(1).

Moreover, even after the expiration of the opposition period, a third party may initiate revocation proceedings against a granted European patent. Although national courts in various European jurisdictions handle revocation of European patents, the EPC establishes the grounds for revocation. *See id.* at art. 138. Revocation of a European patent, therefore, is a matter of national courts applying European rules, leaving open the possibility that national courts presented with the same grounds for revoking a given

describe pre-grant proceedings — is something of a misnomer.<sup>436</sup>

Any person<sup>437</sup> can file an opposition against a European patent without any showing of interest.<sup>438</sup> Significantly, the EPC imposes no true analog to the “substantial new question of patentability” threshold showing, although there is some indication that the grounds for

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European patent may arrive at different conclusions, particularly as to the application of the inventive step criterion. See Jan J. Brinkhof, *The Revocation of European Patents*, 27 INT’L REV. INDUS. PROP. & COPYRIGHT L. 225, 226-27 (1996).

Another effect of the split jurisdiction is that while an opposition has effect against the entire bundle of patents represented by a European patent, a revocation proceeding has effect against only one patent in the bundle — the one that is effective in the nation in which the revocation is initiated. See Rainer A. Keil, *Revocation, in EUROPEAN PATENT LAW: PRACTICING UNDER THE EUROPEAN PATENT CONVENTION* 173, 173-74 (J. George Seka ed./trans.) (1979).

436. See, e.g., Case T198/88, SCHWIETE/Concrete Restoration, [1991] E.P.O.R. 245 (1991) (“[T]he opposition procedure is an independent procedure which takes place after the grant procedure; it is a separate procedure in which a patent wrongly granted may be limited or revoked . . .”); LUNZER, *supra* note 433, at 459. Sir Justice Robin Jacob recently noted that “[i]t is somewhat Pickwickian to [describe] a post-grant attack on a patent as ‘opposition’ but the word does convey the notion that one is concerned with the early life of the patent. . . . The founding fathers of the Convention had to choose between an opposition proper — which would or could have had the result that an applicant could be kept out of his monopoly for many years — and this form of ‘belated opposition.’ They chose the latter.” *Lenzig AG’s European Patent (UK)*, [1997] R.P.C. 245, 262 (Jacob, J).

437. However, the patent owner is *not* entitled to file an opposition to his own patent, under a decision of the Enlarged Board of Appeal of the European Patent Office. See Case G 9/93, PEUGEOT & CITROEN II/Opposition by Patent Proprietor, [1994] O.J. E.P.O. 891 (1994), *overruling* Case G 1/84, MOBIL OIL/Opposition by Proprietor, [1986] E.P.O.R. 39 (1986). The *Mobil* case expressed the view that opposition was not to be regarded as essentially inter partes proceedings presided over by a neutral arbitrator, whereas the later decision insisted that the opposition procedure did fit the model of the inter partes proceeding. See LUNZER, *supra* note 433, at 464.

The EPO cannot initiate an opposition proceeding *sua sponte*. See *id.* at 507. However, the EPO can continue an opposition on its own initiative even if the opposition has been withdrawn, although the EPO typically does not exercise this authority. See *id.* at 504-05.

438. See LUNZER, *supra* note 433, at 465; see also Case T 635/88, DE ERVEN G DE BOER BV/Opponent Identifiability, [1993] O.J. E.P.O. 608 (1993). However, the opposer must divulge his or her identity before the time limit for filing an opposition expires. See Case T25/85, DEUTSCHE GELATINE-FABRIKEN, STOESS & CO./Opponent Identifiability, [1986] E.P.O.R. 158 (1986); see also PATERSON, *supra* note 433, at 196. A similar provision would be included in the proposed new reexamination statute. See H.R. 400, 105th Cong. (1997), § 503(a) (requiring that a request to oppose a patent identify the real party in interest).

opposition must be new.<sup>439</sup> It is necessary, however, for the opposer to include in the statement of opposition the "extent of the opposition" (that is, the patent claims being opposed) and the grounds for the opposition.<sup>440</sup>

Like the United States in the context of reexamination, the European Patent Office ("EPO") in the context of post-grant oppositions has struggled to delineate satisfactorily the substantive scope of the proceedings as it relates to the threshold requirements in the notice of opposition. Because the opposition proceeding is an exception to the normal rule of transfer of jurisdiction to national courts upon issuance of the European patent,<sup>441</sup> the extent of the Opposition Board's jurisdiction is strictly construed. For example, where an opposer's notice of opposition limits the extent of opposition, the Opposition Board may not subject additional claims to opposition.<sup>442</sup>

#### b. Expert Panel

European opposition proceedings are not conceptualized as an

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439. EPO cases have provided that an allegation that the Examining Division did not correctly describe and evaluate the state of the art is not a ground for opposition. See LUNZER, *supra* note 433, at 484-85.

440. Case G 9, 10/91, ROHM AND HAAS/Power to Examine, [1993] E.P.O.R. 485. 491 (1993).

441. See PATERSON, *supra* note 433, at 188-89.

442. See, e.g., Case T 9/87, ICI/Zeolites, [1990] E.P.O.R. 46 (1990). However: even if the opposition is explicitly directed only to the subject-matter of an independent claim of a European patent, subject-matters covered by claims which depend on such an independent claim may also be examined as to patentability, if the independent claim falls in opposition or appeal proceedings, provided their validity is *prima facie* in doubt on the basis of already available information.

Case G 09, 10/91, [1993] E.P.O.R. at 492-93 (citation omitted).

The Enlarged Board of Appeal recently limited the scope of appeal proceedings following an opposition:

In a case where a patent has been opposed on the grounds set out in Article 100(a) EPC, but the opposition has only been substantiated on the grounds of lack of novelty and lack of inventive step, the ground of unpatentable subject-matter based on Article 52(1) and (2) EPC is a fresh ground for opposition and accordingly may not be introduced into the appeal proceedings without the agreement of the patentee.

Case G 01/95, THOMAS DE LA RUE/Grounds for Opposition, [1996] E.P.O.R. 601, 601 (1996).

extension of the examination process.<sup>443</sup> Having no need to maintain the fiction of a new examination, the EPO has entrusted the adjudication of oppositions to an administrative panel, not to individual examiners as is the case with U.S. reexamination.<sup>444</sup> This is a further indication that, at a minimum, the practice of forcing individual examiners to adjudicate inter partes patent validity proceedings should be discarded even if the proposed reexamination reform legislation passes.

### c. Substantive Scope and Conduct of the Proceedings

#### (i) Substantive Scope

The European opposition practice amply demonstrates the viability of administrative revocation proceedings whose substantive scope extends beyond documentary prior art challenges. Under the EPC, an opposer is virtually unrestricted in his or her choice of grounds for opposition: any ground concerning “patentability” or adequacy of

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443. See LUNZER, *supra* note 433, at 483 (“An opposition is not an extension of the examination procedure and ought not to be misused as such.”). One consequence is that formal defects such as claim clarity cannot be raised in an opposition; they are deemed satisfied upon grant. *See id.* A caveat is in order here, however. Sir Justice Robin Jacob recently opined that the opposition procedure “is really regarded, so far as the Convention is concerned, as part of the grant process.” *Lenzig AG’s European Patent (UK)*, [1997] R.P.C. at 262 (Jacob, J.). This observation, however, may have more to do with appropriately addressing jurisdictional complexities than with the inherent nature of the opposition proceedings. By conceptualizing opposition proceedings as an extension of examination for jurisdictional purposes, Sir Justice Jacob was able more readily to reach the conclusions that a European Patent Office revocation had effect for all states designated in the European patent and that a challenge to the revocation could not be brought in a national court.

444. The administrative panel, known as an Opposition Division, consists of three technical examiners, and might additionally include a lawyer who has not participated in examination of the case. A maximum of one of the three technical examiners may have been involved in the case at the examination stage. However, the bulk of the work is usually entrusted to the one examiner who was previously involved in the case, although any decisions must be made, and any oral hearings attended, by the division as a whole. *See LUNZER, supra* note 433, at 486-87.

The provision in Article 117(e), that an Opposition Division may be assisted by the *opinions of experts*, does not play a particularly important role in oppositions before the EPO. There are three technical members in every Opposition Division, whose knowledge is supplemented by the search report, and the possibility of asking the Search Division to make a further search. This should suffice for the purposes of an opposition. *See id.* at 478-79.



disclosure can be pled.<sup>445</sup> However, the EPO has had a difficult time resolving the relationship between the grounds of opposition set forth in the notice of opposition and the substantive scope of the proceedings. In particular, EPO cases took a variety of approaches to the issue of whether opposition can proceed on grounds that are different from or in addition to those raised in the notice of opposition.<sup>446</sup> Ultimately, the Enlarged Board of Appeal held that an Opposition Division may of its own motion raise a ground for opposition not covered by the opposer's notice of opposition, and may accept an opponent's evidence of additional grounds even when filed after the expiration of the time limit established in Article 99(1) of the EPC.<sup>447</sup> However, the Enlarged Board emphasized that consideration of additional grounds should only take place where clear reasons existed to establish that the new theories would invalidate the patent in whole or in part.<sup>448</sup> Subsequent decisions are split on whether additional grounds (and, by extension, additional evidence) can be admitted only in exceptional cases,<sup>449</sup> or more routinely.<sup>450</sup> The issue of whether a new prior art citation applied under an already-identified theory is a "new ground" of opposition is still open.<sup>451</sup>

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445. See EPC art. 100, provides that opposition can be brought on grounds of "patentability," insufficient disclosure, or what in the United States would be called "new matter."

446. Compare Case T 493/88 CEA-FROMATOME/Spacer Grid, [1993] E.P.O.R. 393 (1993) (holding that the EPO is not merely empowered, but obliged to consider all possible grounds for opposition irrespective of the grounds pled in the notice, given that Art. 114(1) of the EPC gives the EPO power to conduct examination on its own motion) and Case G 09, 10/91, [1993] E.P.O.R. at 493 (1993) (same) with Case T 182/89 SUMITOMO/Extent of Opposition, [1990] E.P.O.R. 438 (1990) (holding that Art. 114(1) of the EPC merely gives the EPO the power fully to investigate those grounds properly pled in the notice of opposition).

447. See Case G 09, 10/91, [1993] E.P.O.R. at 494; LUNZER, *supra* note 433, at 474; *id.* at 506-09.

448. See Case G 09, 10/91, [1993] E.P.O.R. at 494. See LUNZER, *supra* note 433, at 506-09.

449. See, e.g., Case T 1002/92, PETERSSON/Queuing System, [1996] E.P.O.R. 1 (1994) (holding that admission of additional evidence is reserved for the exceptional case).

450. See LUNZER, *supra* note 433, at 509 (citing Case T 18/93 (unpublished) (holding that after an objection to novelty and inventiveness has been introduced as a ground of opposition, further evidence directed to that ground of opposition is admissible)).

451. The question is raised in Case T 937/91, THOMAS DE LA RUE/Grounds for Opposition, [1994] E.P.O.R. 601 (1994). Guidance on the issue may come from Case G 10/93, SIEMENS/Scope of Examination, [1995] O.J. E.P.O. 172 (1995) (holding that in *ex parte* appeals, there is no limitation on the Board's power to consider additional new grounds for objection, but contrasting *inter partes* proceedings, in which the

## (ii) Presumption of Validity

The patent owner in a European opposition retains a presumption of validity, although the standard for overcoming it differs from the U.S. “clear and convincing evidence” standard. The opponent in an opposition proceeding bears the burden of proving invalidity by a “balance of probabilities.”<sup>452</sup> The patent owner, in addition, is entitled to the benefit of a “rule of doubt.”<sup>453</sup>

An effective U.S. inter partes patent proceeding would follow suit, applying the presumption of validity in the proceeding and giving it the same evidentiary effect that it would have in litigation. Indeed, even if the reexamination reform legislation passes in its current form, the PTO should certainly respect the presumption of validity in those proceedings, consistent with European practice.<sup>454</sup>

## (iii) Discovery and “Trial”

Generally, the EPC seeks to establish a streamlined “trial” procedure

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opponent has the duty to define the issues). *See generally* LUNZER, *supra* note 433, at 506-09.

452. Case T 182/89, SUMITOMO/Extent of Opposition, [1990] E.P.O.R. 438, 443 (1989) (stating that “in order to establish insufficiency, the burden of proof is upon an opponent to establish on the balance of probabilities . . . that a skilled reader of the patent using his common general knowledge would be unable to carry out the invention.”); *see also* PATERSON, *supra* note 433, at 220. The balance of probabilities standard is a “more likely than not” standard analogous to the “preponderance of the evidence” standard used in the United States. *See* Case T 381/87, RESEARCH CORPORATION/Publication, [1989] E.P.O.R. 138 (1990); PATERSON, *supra* note 433, at 219.

453. *See, e.g.*, Case T 219/83, BASF/Zeolites, [1986] E.P.O.R. 247 (1986); PATERSON, *supra* note 423, at 219 (“If the parties to opposition proceedings make contrary assertions which they cannot substantiate and the EPO is unable to establish the facts of its own motion, the patent proprietor is given the benefit of the doubt.”).

454. For a criticism of the Federal Circuit’s justifications for dispensing with the presumption of validity in the context of the existing reexamination scheme, *see supra* II.C.1 of this article. Notably, the Federal Circuit justified its decision to dispense with the presumption in part on the rationale that the patent owner has the ability to make narrowing amendments to the claims in reexamination. *See id.* However, the EPO respects the presumption of validity in European oppositions even though owners of European patents have the same opportunity to make narrowing amendments to the claims. *See* EPC art. 123(3) (prohibiting the patentee in an opposition proceeding from amending the claims in such a way as to extend the scope of coverage), *reprinted in* LUNZER, *supra* note 433, at 715.

for oppositions.<sup>455</sup> Consistent with civil practice in most European jurisdictions, the European opposition procedures provide no elaborate discovery mechanisms.<sup>456</sup> While the EPO itself lacks the power to *order* discovery of documents, it has considerable practical leverage in this regard, because it can *request* discovery and draw reasonable inferences from noncompliance.<sup>457</sup>

Although the EPO may issue a summons to a witness to appear before it in the context of an opposition proceeding, the EPO has no power to sanction a noncomplying witness, nor does it have the power to administer an oath.<sup>458</sup> To enable the EPO to deal with recalcitrant witnesses,<sup>459</sup> the EPC provides that the EPO may request a competent court to take evidence.<sup>460</sup>

#### d. Lessons from European Opposition Practice

The European Opposition practice provides ample evidence that many of the features already extant in U.S. trademark inter partes practice could be incorporated into a U.S. inter partes patent proceeding. At a minimum, the European experience teaches that inter partes patent proceedings must be heard initially by an expert panel, not by individual examiners; that the substantive scope of the proceedings should include not only validity challenges based upon documentary prior art, but also should include validity challenges requiring non-documentary proofs; and that the presumption of validity should be respected in the administrative proceedings as it would be in the court.

Opinion is split as to whether the EPC's opposition procedure has

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455. See, e.g., Norman Wallace, *Practice Before the European Patent Office — Examination and Opposition*, 5 EUR. INTEL. PROP. REV. 36, 37 (1983) (relating that the Examination Guidelines express an intent to streamline the procedures by calling for the presentation of evidence in one step by each party, with strict limitations on opportunity to present additional evidence).

456. See LUNZER, *supra* note 433, at 461 (noting that, technically, requests for discovery of documents can be made, but such requests are “virtually unknown”).

457. See *id.* According to Lunzer, parties to a European opposition generally do not insist on discovery and generally do not call witnesses. Accordingly, European oppositions differ somewhat from traditional opposition and revocation practice in national jurisdictions, particularly England, in which opposition proceedings can take on many of the attributes of a trial presentation. See *id.*

458. See PATERSON, *supra* note 433, at 218-19.

459. That is, witnesses who either do not respond or who do respond under circumstances in which the EPO deems it advisable to have the testimony retaken under oath.

460. See EPC art. 117(4)-(5). Relevant procedures are set out in Article 131(2) of the EPC.

overcome the criticisms commonly leveled at European administrative revocation proceedings. Professor Wegner, asserting that the EPC opposition procedure has overcome (or at least diminished) concerns regarding patentee harassment, has argued that the United States should adopt a European-style post-grant opposition proceeding.<sup>461</sup> Others, including some European commentators, have asserted that even the modernized post-grant opposition system creates the opportunity for undue delay.<sup>462</sup> This debate often manifests itself in the context of efforts by alleged infringers to stay infringement proceedings (which are heard in national courts) pending the outcome of a European opposition proceeding.<sup>463</sup> The issue is particularly important in the context of summary proceedings such as the Dutch *kort geding* proceeding, which would, but for the pendency of a European opposition, provide the patent owner with rapid and (potentially) extrajurisdictional relief.<sup>464</sup>

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461. See Harold C. Wegner, *Patent Law Simplification and the Geneva Convention*, 14 AM. INTELL. PROP. L. ASS'N Q.J. 154, 200-01 (1986). Regarding the harassment concern as exemplified by the historically high rate of oppositions in Germany (reaching levels of about 30%), Professor Wegner has pointed out that the European opposition rate was only about 10%. See *id.*

462. See, e.g., Christopher Tootal, *The European Patent System: Time for a Review?*, 17 EUR. INTELL. PROP. REV. 415, 415-16 (1995) (arguing that delay in a final decision in opposition proceedings is the most significant shortcoming in the European patent system).

463. U.K. and German courts have, when faced with the issue, refused to grant stays. See, e.g., *Amersham Int'l PLC v. Corning Ltd.*, [1987] R.P.C. 53 (1986); Case No. 4W (pat) 50/85, [1987] O.J. E.P.O. 557 (1987) (reporting a decision of the German Federal Patent Court (*Bundespatentgericht*) which states positively that existence of a parallel opposition proceeding cannot be grounds for a stay). See generally PATERSON, *supra* note 433, at 230-31 (describing split in European jurisdictions over this issue). For additional commentary, see Gori, *supra* note 433, at 467 (asserting that where the grounds of revocation of a European patent in a national court proceeding are the same as those raised in a pending EPO opposition proceeding, mechanisms for staying the revocation proceeding are usually provided); Hans Peter Walter, *The Stay of Infringement or Revocation Proceedings Pending Opposition or Revocation Proceedings before Another Court or Authority under Swiss Law*, 20 INT'L REV. INDUS. PROP. & COPYRIGHT L. 281, 283-85 (1989) (asserting that a civil court judge under Swiss law should start from the principle that revocation proceedings regarding a European patent should be stayed but also should be aware that he or she retains discretion in the matter).

464. See Jan J. Brinkhof, *The Stay of Infringement Proceedings in the Netherlands*, 20 INT'L REV. INDUS. PROP. & COPYRIGHT L. 288, 293-94 (1989) (asserting that Dutch courts usually will not grant injunctions if the defendant shows that the patent is being opposed in the EPO). *But cf.* Tootal, *supra* note 462, at 415-16 (suggesting that the Dutch courts have a propensity "to grant interim injunctions on grant of a European patent, when it may be several years before opposition proceedings are finally disposed of in the EPO").

On the remarkable practice by which Dutch courts may grant cross-border

## 2. Administrative Revocations Under U.K. Patent Law

Although it is instructive to review briefly the current administrative revocation practice in the United Kingdom,<sup>465</sup> that practice must be understood in the context of the U.K. court structure for resolving patent disputes. In the United Kingdom, patent matters, whether in the form of infringement proceedings or challenges to validity, may be brought before specialist patent judges either of the High Court or of the Patents County Court.<sup>466</sup> Accordingly, the major stimulus for the creation of an administrative revocation system in the United States — the need to establish an alternative forum to trial before a generalist District Court judge — does not exist in the United Kingdom.

Some features of the U.K. administrative revocation system appear to reflect heightened confidence in the ability of patent judges to dispose efficiently of patent validity matters. For example, a decision of the comptroller in an administrative revocation proceeding has no estoppel effect against invalidity defenses brought in the context of a subsequent civil proceeding for infringement.<sup>467</sup> Similarly, where an administrative revocation proceeding is pending before the comptroller, the party who initiated the proceeding can commence a revocation proceeding on the same issues before the court, if the comptroller certifies “that it appears to him that the question whether the patent should be revoked is one

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injunctive relief in *kort geding* proceedings regarding patent infringement, see, for example, Gearoid O’Sullivan, *Cross-Border Jurisdiction in Patent Infringement Proceedings in Europe*, 18 EUR. INTEL. PROP. REV. 654 (1996); Heleen Bertrams, *The Cross-Border Prohibitory Injunction in Dutch Patent Law*, 25 INT’L REV. INDUS. PROP. & COPYRIGHT L. 618 (1995).

465. Under U.K. law, revocation proceedings can be initiated either in court (in the High Court or the Patents County Court) or in the Patent Office. See DAVID YOUNG ET AL., TERRELL ON THE LAW OF PATENTS § 10.01 (14th ed. 1994) [hereinafter TERRELL]. References hereinafter to “administrative revocation” proceedings are, then, references to revocation proceedings originating before the comptroller in the Patent Office.

466. According to a leading authority:

The ideal Patents County Court case is one in which the issues of fact are simple and not really in dispute and where the only real issue between the parties is one of construction of the patent. Cases in which discovery may be important, where there are real disputes as to facts, or where a significant amount of experimentation may be required are not suited to the County Court. Generally, the longer, heavier, more complex, more important and more valuable actions continue to belong in the High Court.

*Id.* § 12.20 (citations omitted).

467. See Patents Act, 1977, § 72(5) (Eng.).

which would more properly be determined by the court.<sup>468</sup>

In other important particulars, however, the U.K. administrative revocation procedures display the core characteristics of an effective patent revocation procedure. First, the system employs a liberal standing requirement; no showing of interest is required.<sup>469</sup> Second, the grounds for challenging validity in an administrative revocation proceeding are the same as the grounds for challenging validity in a court petition for revocation.<sup>470</sup> Third, the comptroller has authority to take oral evidence and to provide for cross-examination of witnesses, using the subpoena power if necessary.<sup>471</sup> However, one commentator has asserted that in practice, only under exceptional circumstances will the comptroller allow discovery of documents or cross-examination of witnesses. Accordingly, many would-be participants in administrative revocation may instead prefer to take up the matter in court.<sup>472</sup>

The U.K. Patents Act places no time limit on the filing of a revocation proceeding. This is a departure from prior practice<sup>473</sup> and

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468. *See id.* § 72(7). On the other hand, U.K. law also provides a mechanism whereby the Patents County Court can seek an opinion from the U.K. Patent Office as to technical questions. *See* Patents County Court Users' Guide, ¶ 11 (*citing* CCR Order 48A, r. 7(1)(b)), *reprinted in* TERRELL, *supra* note 465, § 25.11.

469. *See* Patents Act § 72(1) (stating that "any person" may apply for a revocation order); TERRELL, *supra* note 465, § 10.01 (contrasting the opposition practice under the 1949 Patents Act, which required a showing of interest). The Comptroller can initiate a revocation proceeding *sua sponte*, but only on strictly limited grounds. *See* Patents Act § 73(1) (authorizing revocation proceedings based upon novelty-defeating effect of prior published application under § 2(3)); *id.* § 73(2) (authorizing revocation proceedings based upon the grant of a European patent and a U.K. patent to the same applicant for the same invention having the same priority date — a "double patenting" notion in the lexicon of U.S. patent law).

470. *See* Patents Act § 72(1)(a)-(e) (setting forth the permissible grounds for revocation). Prior administrative revocation practice was significantly more restrictive in its substantive scope. *See, e.g.,* Vito Mangini, *The Legal Framework for Infringement and Revocation Proceedings in Patent Matters in the Contracting States of the European Patent Convention*, 14 INT'L REV. INDUS. PROP. & COPYRIGHT L. 776, 790 (1983) (observing that under the 1949 statute, a post-grant revocation action could be brought as a "belated opposition" before the comptroller, but the grounds were more limited than those available in a revocation challenge brought before the High Court).

471. *See* Patents Rules 1990, r. 103(2) (relating to oral evidence); *id.* r. 103(3) (providing that the comptroller "shall, in relation to the giving of evidence (including evidence on oath), the attendance of witnesses and the discovery and production of documents, have all the powers of a judge of the High Court, other than the power to punish summarily for contempt of court").

472. *See* Christopher Floyd, 'Euro-oppositions': *A Better Procedure?*, 12 EUR. INTELL. PROP. REV. 342 (1985).

473. *See* Mangini, *supra* note 470, at 790.

should be studied carefully by U.S. policymakers to determine whether a time limit is really necessary for a U.S. administrative revocation system.

### 3. Opposition and Nullity Proceedings Under German Patent Law

German practice also provides lessons for a U.S. administrative revocation scheme, as commentators have recognized.<sup>474</sup> Under German law, patents are subject to a post-grant opposition proceeding. The opposition proceeding is a traditional inter partes administrative proceeding, but it can only be initiated within the three months after patent publication, which coincides with the date of patent grant.<sup>475</sup>

German law affords no other opportunity for administrative revocation of patent rights. Instead, a patent validity challenger (whether in the context of infringement litigation or otherwise) must initiate a so-called "nullity action" before a specialized judicial tribunal, the Federal German Patent Court.<sup>476</sup> In contrast to the opposition proceeding, in the nullity action, the court applies a presumption of validity.<sup>477</sup>

Because of the radically different court structure applicable to patents in Germany, the lessons to be learned from the German opposition and nullity system are limited. Nevertheless, brief review of

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474. See, e.g., Bauz, *supra* note 12, at 975-77 (discussing lessons from the German system).

475. See *id.* at 963-64 (discussing 1980 German Patent Act).

476. See, e.g., Brinkhof, *supra* note 435, at 231 (describing the bifurcation of infringement and validity under German law whereby the Federal Patent Court in Munich, deals with revocation of patents, but the infringement issue is considered by the "ordinary" courts.) The chambers of the Federal Patent Court in nullity proceedings consist of a majority of "technical judges." See Jochen Pagenberg, *Different Level of Inventive Step for German and European Patents? The Present Practice of Nullity Proceedings in Germany*, 22 INT'L REV. INDUS. PROP. & COPYRIGHT L. 763, 765 (1991). Appeal in a nullity action is to the Supreme Court, the patent chamber of which consists of five judges who are patent law specialists but generally do not have technical degrees. See *id.* at 766. Appeal is de novo; hence, the Supreme Court, having to deal with complex technical questions again as a second fact-finding court, generally appoints an expert to assist. See *id.*; see also Bauz, *supra* note 12, at 969-74 (describing nullity practice in detail).

477. See Rudiger Rogge, *The Revocation of European Patents in Germany*, 27 INT'L REV. INDUS. PROP. & COPYRIGHT L. 217, 223 (1996) (explaining that German courts have held that patents issued by the German Patent Office enjoy a strong presumption of validity, requiring opponent to establish invalidity "beyond doubt"). A leading commentator has questioned whether European patents are being accorded the same strong presumption when they are subjected to nullity or revocation proceedings in German courts. See Pagenberg, *supra* note 476, at 768.

the German opposition proceeding reinforces the desirability of features already discussed in connection with the European opposition practice. For example, German oppositions are tried to a board of three examiners, not to single examiners.<sup>478</sup> Additionally, the German opposition proceeding is ample in substantive scope, allowing review of validity questions going beyond those raised by documentary prior art.<sup>479</sup> Finally, the costs are assessed against the losing party in a German nullity proceeding.<sup>480</sup>

It is conceivable that administrative revocation practices in European national patent offices will gradually converge around the European post-grant opposition model.<sup>481</sup> A study of administrative revocation in European national jurisdictions may thus simply lead back to the recommendation that a European model be adopted.

### *C. Revocation, Early Publication of Patent Applications, and Pre-Grant Oppositions*

As the United States ponders reexamination reform (or other models for post-grant administrative patent revocation), it will be important to take into account proposed changes to pre-grant procedures, particularly the proposed pre-grant publication procedures.<sup>482</sup> Congress should coordinate its approach to post-grant proceedings and pre-grant publication to achieve an appropriate level of public participation in PTO administrative processes. Here again, the European experience, in which public participation has been channeled primarily into post-grant proceedings, will be instructive.

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478. See Bauz, *supra* note 12, at 976.

479. See *id.*

480. See *id.* at 967.

481. See, e.g., Elisabeth Jung, *A Comparison of the European and German Patent Granting Procedure in Practice*, 17 INT'L REV. INDUS. PROP. & COPYRIGHT L. 449, 460-62 (1986) (comparing opposition proceedings under the EPO with opposition proceedings under German national law and suggesting that various aspects of European practice be incorporated into German practice); cf. Mangini, *supra* note 470, at 778-91 (providing a useful, albeit dated, comparative survey of revocation practices — both administrative and judicial — in the national tribunals of several European countries). Mangini expresses skepticism about the prospect of harmonized European practices. See *id.* at 792.

482. Under current U.S. law, patent applications are maintained in confidence until issued. See 35 U.S.C. § 122 (1994). Under a pre-grant publication scheme, the standard in other mature patent systems such as the European Patent System, the contents of pending applications are made available to the public via publication at 18 months after the earliest priority date. See *infra* notes 498-510 and accompanying text for a discussion of the European system.



## 1. U.S. Proposals for Pre-Grant Publication

Patent law reform advocates have long urged that the United States adopt a scheme in which pending patent applications are published prior to issuance.<sup>483</sup> Interest in the issue was revived in the early 1990s with the inclusion of an early publication provision in drafts of the Patent Law Harmonization Treaty, as well as in the same bilateral accord with Japan in which the United States promised changes to its reexamination system.<sup>484</sup> Recent efforts at patent law reform legislation have typically featured provisions that would mandate early publication.<sup>485</sup> Early publication has also been the focus of considerable recent commentary.<sup>486</sup>

The rationale for early publication is two-fold. First, advocates believe that early publication will enhance technological progress by bringing the fruits of the inventor's labors to the public more quickly, stimulating early investment in promising technologies and avoiding

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483. See, e.g., 1936 Board Report, *supra* note 34, at 97-98 (recommending publication of pending patent applications upon grant); 1966 COMMISSION REPORT, *supra* note 68, at 24 (Recommendation VII) (proposing that pending applications automatically be published 18-24 months after their earliest effective filing date, or after allowance, whichever comes first, and that applications be republished after allowance and after issuance as necessary to update the initially published application).

484. See John C. Todaro, *Potential Upcoming Changes in U.S. Patent Laws: The Publication of Patent Applications*, 36 IDEA 309, 311 (1996) (noting that the United States agreed to incorporate a publication provision in its domestic patent laws in its agreement with Japan).

485. See H.R. 400, 105th Cong. § 202, *et seq.* (1997). The PTO promulgated proposed regulations to implement pre-grant publication in connection with an earlier House proposal. See *Changes to Implement 18-Month Publication of Patent Applications*, 60 Fed. Reg. 42,352 (1995) (regulations implementing the Patent Applications Publication Act of 1995, H.R. 1732, 104th Cong. (1995)).

486. See, e.g., Paul A. Ragusa, Note, *Eighteen Months to Publication: Should the United States Join Europe and Japan by Promptly Publishing Patent Applications?*, 26 GEO. WASH. J. INT'L L. & ECON. 143 (1992); David Silverstein, *Will Pre-Grant Publication Undermine United States Trade Secret Law?*, 23 AM. INTELL. PROP. L. ASS'N Q.J. 695, 724 (1995) (arguing that if pre-grant publication scheme is enacted, there will "suddenly be a public benefit in compelling the filing of patent applications" even for subject matter of dubious patentability; state trade secret law, to the extent that it would undercut this public benefit, might be subject to a preemption challenge); Todaro, *supra* note 484 (explaining recent pre-grant publication proposals); Edward J. Webman, *Issues Arising Under an 18 Month Publication Regime: The Initial Public Response in Light of EPC and PCT Practice*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 909 (1995) (arguing that the pre-grant publication system should include provisions affording provisional post-publication remedies to the patent owner).

socially wasteful duplication of effort.<sup>487</sup> Obviously, when seen in this light, the publication provision seems to stand at the very core of the essentially utilitarian aspirations of the patent system.<sup>488</sup>

Second, proponents claim that a publication provision would improve the quality of the patent examination process. For example, the PTO believes that with a publication regime, an examiner will be less likely to overlook disclosures in pending patent applications when conducting a prior art search.<sup>489</sup>

Moreover, a publication provision can be viewed as an entree to enhanced public participation in the original examination process.<sup>490</sup> When pre-grant opposition procedures were commonly employed in foreign jurisdictions (for example, in national patent laws of various European nations), publication provided the notice that triggered the public's opportunity to file opposition papers.<sup>491</sup> Publication serves the same function in the current United States trademark system, which features an opposition proceeding.<sup>492</sup> A publication scheme incorporated

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487. See, e.g., 143 CONG. REC. E76, E78 (daily ed. Jan. 9, 1997) (statements of Rep. Coble) ("Publication of new technologies eliminates duplication of effort and accelerates technology licensing.").

488. The system does have its detractors, particularly among independent inventors and small companies who might seriously be contemplating the prospect of trade secret protection as an alternative to expensive patent protection. The implementation of a pre-grant publication system could pose a dilemma for inventors who intend to abandon pending patent applications and maintain trade secret protection if the PTO finally rejects the pending patent claims as unpatentable. Publication might occur prior to any final determination of patentability by the PTO — and, indeed, could well occur prior to even an initial office action from the PTO examiner. Conceivably, risk-averse inventors confronting such a dilemma may decide to abandon their efforts to patent in order to preclude publication, relying solely upon trade secret protection. In this event, publication would not necessarily foster the early disclosure of technological developments to the public, but could result in over-utilization of trade secret regimes.

The pending legislation attempts to address this problem by guaranteeing that U.S. inventors can receive an indication on patentability prior to publication. See H.R. 400, 105th Cong., § 203(C)(i) (1997); 143 CONG. REC. E78 (explaining that the proposed legislation will enable inventors to make "an informed decision regarding whether they should withdraw the application before publication.").

489. See, e.g., 1995 Patents Hearings, *supra* note 183, at 36. The disclosures in pending patent applications currently qualify provisionally as prior art under 35 U.S.C. § 102(e) (1994). Provisions in the proposed legislation would give § 102(e) effect to published patent applications, even if they never result in an issued patent. See H.R. 400, 105th Cong., § 205 (1997).

490. See 1995 Patents Hearings, *supra* note 183, at 36.

491. Publication plays a similar purpose in the current European system, which has abandoned pre-grant oppositions but retains an opportunity for the public to submit "observations." See *infra* Part IV.C.2.

492. See *supra* Part IV.A.

into U.S. patent law would establish new relevance for existing quasi-inter partes protest and public use proceedings.<sup>493</sup>

The implications of publication for inter partes administrative procedures have not been appreciated fully or consistently in proposed legislation. For example, because it seems inevitable that protest and public use proceedings would be employed far more often if a publication scheme were adopted, it likewise seems inevitable that pressure would mount to delineate clearly what opportunities would be afforded to third parties to participate in those proceedings. In the absence of clear restrictions, protest and public use proceedings would be transformed into full-fledged pre-grant opposition proceedings, the very proceedings that the United States recently persuaded Japan to abrogate.

Unfortunately, legislative proposals have either ducked the question or spoken with a forked tongue. A proposal pending before the 104th Congress would have left completely to the PTO the responsibility for establishing procedures for "limited reexamination" of pending patent applications.<sup>494</sup> While the PTO's 1995 proposed rules package shows no propensity on the PTO's part to allow protests and public use proceedings to degenerate into pre-grant oppositions,<sup>495</sup> its reference to "limited reexamination" leaves the PTO broad discretion to change its mind. A more recent proposal contains a section which responds to concerns about pre-grant oppositions, stating an intent to limit new opportunities

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493. See *supra* Part II.A.2 for a discussion of protest and public use proceedings and their existing limitations. Under the PTO's proposed regulations for implementing the publication scheme, after a pending application is published, a third party, by payment of a fee, would be entitled to access to the entire prosecution history. See *Changes to Implement 18-Month Publication of Patent Applications*, 60 Fed. Reg. 42,373 (1995) (to be codified as 37 C.F.R. § 1.11(a)), 42,375 (to be codified as 37 C.F.R. § 1.19(b)(2)) (proposed 15 Aug., 1995). Access to both the pending application and the entire prosecution history would allow third parties to detect flaws in the original examination that could in turn be made the subject of a protest.

494. See H.R. 3460, 104th Cong. (1996) at § 209.

495. For example, the proposed changes to the protest regulation would retain 37 C.F.R. § 1.291(c), which limits public participation in protests. See *Changes to Implement 18-Month Publication of Patent Applications*, 60 Fed. Reg. at 42,383 (1995). No such limitation has been included previously in the regulations governing public use proceedings, and no limitation would be incorporated by the proposed changes. See *id.* The proposed amendments to both the protest and public use regulations would, however, establish a relatively short time limit (two months after publication) within which protest and public use proceedings could be initiated. See *id.* at 42,382-83.

In general, in its response to public comment opposing any form of pre-grant opposition, the PTO asserts that it "does not intend to institute any procedures that would amount to pre-grant opposition" and it has incorporated the time limitation into the protest and public use regulations to forestall that eventuality. *Id.* at 42,358.

for pre-issuance opposition.<sup>496</sup> However, the same proposal also retains a potentially conflicting section, which authorizes limited reexamination of pending applications.<sup>497</sup>

## 2. Public Participation in the European Examination Process Prior to Patent Grant

The European approach to limiting public participation in the pre-grant examination process provides an appropriate model for U.S. legislation, particularly if Congress finally recognizes the futility of reexamination and enacts a European-style post-grant administrative revocation system. The European pre-grant procedures should also be considered for adoption.

The European Patent Office publishes pending European patent applications eighteen months from the filing date, or from the priority date if priority has been claimed.<sup>498</sup> Any member of the public can inspect the published application, along with any other documents subsequently introduced into the application file,<sup>499</sup> and may “present observations concerning the patentability of the invention” in accordance with Article 115 of the EPC.<sup>500</sup>

The Article 115 procedure bears certain similarities with current U.S. regulations regarding “protest.” Like protest proceedings, Article 115 observations are limited to a statement in writing specifying the grounds on which the observer challenges validity.<sup>501</sup> In addition, the observer cannot become a party to the European Patent Office examination proceedings,<sup>502</sup> and accordingly cannot appeal if the EPO decides to grant the patent.<sup>503</sup> In neither proceeding, absent special circumstances, is the patent applicant required to respond.<sup>504</sup>

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496. See H.R. 400, 105th Cong., § 202(c) (1997) (providing that “[t]he provisions of this section shall not operate to create any new opportunity for pre-issuance opposition. The Director may establish appropriate procedures to ensure that this section does not create any new opportunity for pre-issuance opposition.”).

497. See *id.* § 209 (1997) (tracking the language of H.R. 3460, § 209). The inclusion of § 209 in the new bill, H.R. 400, would appear to be an oversight.

498. See EPC art. 93(1); Gori, *supra* note 433, at 460.

499. See EPC art. 128(3)-(4), reprinted in LUNZER, *supra* note 433, at 771-72.

500. EPC art. 115(1).

501. See *id.*

502. See *id.*

503. See LUNZER, *supra* note 433, at 610 (citing EPC art. 107).

504. Compare EPC art. 115(2), with 37 C.F.R. § 1.291(c) (1997) (“In the absence of a request by the Office, the applicant has no duty to, and need not, respond to a protest.”).

The procedures also differ in some important aspects. There is apparently no limit on the number of times that a third party can submit observations,<sup>505</sup> which is only partially true of U.S. protests.<sup>506</sup> The procedures also appear to differ slightly in their scope: only questions relating to “patentability” can be made the subject of an observation,<sup>507</sup> while no similar limitations appear in the regulations governing protests.<sup>508</sup>

Importantly, third-party observations can be submitted any time after the European application is published.<sup>509</sup> Thus, the public’s opportunity to present third-party observations extends beyond the grant of the patent, overlapping with the post-grant opposition procedure.<sup>510</sup> By contrast, under current U.S. practice, protests can only be submitted against “pending applications.”<sup>511</sup>

The United States should be guided by the broad outlines of Article 115 in considering whether and how to regulate third-party submissions in protest of published patent applications. Fundamentally, this means that the United States (or, more specifically, the PTO in fashioning regulations to implement an early publication provision) should not provide for inter partes proceedings prior to grant. The Europeans, after long experience with pre-grant oppositions, eliminated them from national laws and declined to incorporate them into the European Patent Convention.<sup>512</sup> Moreover, it would obviously be incongruous for the

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505. See C.I.P.A. HANDBOOK at 4.3, p. 4/14.

506. Under 37 C.F.R. § 1.291(c) (1997), a protestor’s submissions beyond the initial submission will be considered only if they raise new issues that could not have been previously presented.

507. See EPC art. 115(1); see also LUNZER, *supra* note 433, at 609-10 (listing issues not encompassed by the term “patentability,” including, e.g., allegations that the disclosure is inadequate).

508. Thus, for example, it appears that a U.S. application would theoretically be subject to a challenge based upon inadequacy of disclosure.

509. See EPC art. 115(1).

510. Specifically, the Article 115 procedure overlaps with the opposition procedure because a member of the public can monitor an ongoing opposition and submit an observation at any critical juncture, even, presumably, on appeal. See LUNZER, *supra* note 433, at 609. Ultimately, the European arrangement may work more to the advantage of less well-financed parties because no fee is charged for submitting observations, in contrast to the fairly substantial fee charged for filing a reexamination request under U.S. procedures.

511. 37 C.F.R. § 1.291(a) (1997).

512. Under the U.K. 1977 Patents Act, no pre-grant opposition is allowed. Instead, between publication (which occurs 18 months after filing) and grant, third parties may file observations. “The third party’s rights are limited to making written observations. He has no right to be heard, or to be informed of the Examiner’s, or the Applicant’s

United States to have bargained with Japan for the elimination of Japanese pre-grant oppositions,<sup>513</sup> only to burden the U.S. patent system with pre-grant oppositions.

The PTO should eliminate its existing regulations regarding protest and “public use” proceedings<sup>514</sup> and replace them with a set of regulations establishing that a third party may submit documentary or non-documentary prior art, together with observations as to the pertinency of that prior art, at any time following publication of a patent application. As is the case with the existing regulations, the applicant should be under no obligation to respond to third-party observations. The regulations should also expressly provide that while the PTO might, of course, use information from third-party observations in support of an official action, the PTO will not institute any proceedings in response to third-party observations. Such a set of regulations would closely conform U.S. practice to existing world standards on the administrative review of pending patent applications and would forestall the possibility that protest proceedings would degenerate into full-blown adversary proceedings.

#### D. Conclusion and Recommendations

Domestically, the ever-increasing pressures on the federal court system, coupled with the notoriously cumbersome nature of patent validity litigation, make plain the urgent need for a viable administrative alternative for patent validity adjudication. Internationally, the bilateral accord between Japan and the United States requires the United States to implement proposals for reexamination reform, but also provides an opportunity for more thoughtful reflection on how the United States

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reaction to the observations.” TERRELL, *supra* note 465, § 3.32 (citations omitted). The German Patent Act of 1980 introduced a number of changes, one of which was the elimination of pre-grant oppositions. Oppositions can now be filed within three months after the publication of the patent grant. See Albrecht Krieger, *The New German Patent Law After Its Harmonization with European Patent Law — A General Survey*, 13 INT’L REV. INDUS. PROP. & COPYRIGHT L. 1 (1982); Mangini, *supra* note 470, at 784-85 (1983) (citing German Patent Act, 1980, § 59(1)).

513. See *supra* notes 145-50 and accompanying text. Japanese Law 116 of 1994 abolishes the pre-grant opposition system and puts into place a post-grant opposition system effective as of January 1, 1996. See Yamamoto, *supra* note 150, at 557-58. Under the new law, an opposer may file an opposition within six months of the public notification of patent grant. See *id.* at 558. There is no standing requirement. See *id.* An unsuccessful opposer is not foreclosed from using other procedures, including the “invalidation appeal,” to challenge validity. See *id.*

514. See *supra* notes 512-13 and accompanying text.

might redefine the PTO's role with regard to the validity of issued patents.

The United States should take concrete steps to fashion a *viable* administrative patent revocation system that takes as its primary mission the channeling of patent validity disputes away from the federal court system. With both reexamination reform and pre-issuance publication firmly ensconced in the legislative agenda for patent reform, the time is ripe for a coordinated review of administrative mechanisms for patent review.

This paper has offered several recommendations in hopes of guiding that coordinated review. First, the United States should discard further thoughts of refining the existing reexamination system. Reexamination springs from an anachronistic conceptual model that elevates the curative function of administrative revocation over all other policy considerations. Reexamination "reform" proposals purport to transform reexamination into a quasi-inter partes proceeding, but in fact do little more than perpetuate the existing conceptual model. At best, reexamination reform merely further mongrelizes a procedure that already suffers from a mixed identity, sometimes *ex parte*, sometimes *inter partes*. Reexamination reform legislation is notable primarily for its timidity and should not be enacted.

Second, the United States should adopt a true *inter partes* administrative revocation mechanism that reflects lessons from European Patent Convention post-grant opposition practice and U.S. trademark *inter partes* administrative procedures (opposition and cancellation).<sup>515</sup> Both of these regimes feature conventional aspects of administrative adjudication, including, most importantly, adjudication by an expert panel rather than by individual examiners. Both of these regimes reflect the viability of providing for a range of substantive validity challenges that mirrors the challenges that could be made in litigation. Likewise, both regimes provide procedural advantages (such as the presumption of validity) that emulate those that would be available in litigation. Additionally, neither regime provides elaborate and unnecessary barriers in the nature of complex standing or justiciability requirements. The United States should incorporate these core features into any administrative patent revocation system that it adopts.

Important issues would still remain even if the United States were to take this advice. One critical issue would be whether the opportunity

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515. National law in developed patent jurisdictions such as Germany and the United Kingdom may also be of some value, as described *supra* at notes 465-81 and accompanying text.

to initiate administrative revocation proceedings should be time-limited, as is the case for European post-grant oppositions and as is partially the case for trademark cancellations.<sup>516</sup> Any time limitation, of course, exchanges limits on the ability of the administrative revocation scheme to serve as a full alternative to litigation for protection of patent owners from possible harassment.<sup>517</sup>

The question of whether a time limitation would be effective is a close one and may need to be resolved by empirical observation. Ironically, there is some evidence that time limitations on administrative revocation proceedings actually may increase the number of filings as compared to similar proceedings with no time limitations.<sup>518</sup>

Policymakers must recognize that if a strict time limitation is adopted, the issue of whether “new” prior art citations or new grounds for invalidity can be added during the course of the revocation proceedings (an issue with which the United States and Europe both have struggled) will take on critical significance. A short time limitation,

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516. See *supra* note 435 for time limitations in European post-grant oppositions; see *supra* note 411 for time limitations applicable to U.S. trademark cancellations.

517. Professor Wegner has argued forcefully that a time limitation on revocation might advance a variety of policy goals. For example, it is generally thought that early challenges to invalid patent claims are in the public’s best interest. See Wegner, *supra* note 150, at 22. In addition, the prospect of a lingering validity challenge places a cloud on the patent title; so restricting the time period during which administrative revocation could be initiated may clarify patent title and reinforce investor confidence. See *id.* at 21.

As Professor Wegner points out, the deleterious impact of a cloud on patent title may be particularly acute where claim validity can be challenged in an administrative revocation for compliance with formalities under 35 U.S.C. § 112, para. 2 (1994). See *id.* at 5-6. These challenges routinely fail in litigation but commonly lead to claim amendments during *ex parte* examination, suggesting that the injection of § 112, para. 2 issues into administrative revocation could present third-party requesters with opportunities for abuse.

Professor Wegner’s proposed “Post-Grant Patent Procedures Act of 1997” would address this potential problem by providing for “early reexamination,” a procedure that would allow § 112 challenges as well as limited prior art challenges, but only if initiated within nine months of the patent grant. See Post-Grant Patent Procedures Act of 1997 (discussion draft circulated April 24, 1997, to members of the AIPLA Patent Law Committee) (on file with author). Early reexamination would supplement standard reexamination; the latter, however, would forbid § 112 challenges. See *id.*

518. Under German patent law in place at the turn of the century, a nullity proceeding could be brought only within five years of patent grant. After the expiration of this “preclusion period,” no validity challenge whatsoever could be maintained; the patent was incontestable. Reportedly, *more* nullity actions were filed when the five year limitation was in place than were filed after it was abolished. See Bauz, *supra* note 12, at 975 (citing Fromut Volp, *Einspruchsverfahren nach Patenterteilung* (“Opposition Proceedings after a Patent is Granted”), 1959 GRUR 260).



coupled with a proscription against adding grounds for invalidity, could substantially undermine the attractiveness of the administrative revocation proceedings in the eyes of a potential revocation petitioner.

The United States should, at a minimum, consider alternatives to a time limitation that might provide similar anti-harassment benefits while still maintaining the possibility that administrative revocation could be used throughout the life of the patent. One possibility is a one-way fee-shifting provision that would operate automatically against unsuccessful patent challengers.<sup>519</sup> Whether such a provision would in fact completely deter non-meritorious revocation requests may be questioned, but such a provision would at least raise the cost to those challengers who might be considering initiating administrative revocation based on flimsy prior art evidence.<sup>520</sup>

One current proposal for a post-grant opposition procedure set out by the Intellectual Property section of the American Bar Association<sup>521</sup> would include a time limitation (nine months from patent grant) on the ability to initiate a post-grant opposition proceeding.<sup>522</sup> Under this proposal, the time limitation is hedged, however, by allowing for "reexamination" proceedings to be initiated after the time has expired for

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519. This would be a departure from European practice. See EPC art. 104 (*reprinted in* LUNZER, *supra* note 433, at 516) (stating that "costs" are to be borne by each party, except in exceptional circumstances); LUNZER, *supra* note 433, at 516-25.

520. A one-way fee-shifting proposal appeared in the administrative revocation recommendation of the 1966 Commission Report. See 1966 COMMISSION REPORT, *supra* note 68, at 37 (Recommendation XV).

521. See A.B.A. SEC. INTELL. PROP., ANNUAL REPORT 1995-96, 133 (1996) (Proposed Resolution 108-1). The contemplated opposition proceeding would have broad substantive scope; a person would be entitled to contest patentability "under one or more of 35 U.S.C. §§ 101, 102, 103, or 112 (excluding the 'best mode' requirement thereunder)." *Id.* The proceeding would be "tightly procedurally controlled" by an administrative officer who has been specially trained to handle inter partes proceedings. *Id.* Thus, the resolution appears to suggest that the system would incorporate many of the "core features" identified above.

522. See *id.* The proposal also would set a strict time deadline for *completion* of the post-grant opposition proceeding (18 months after initiation). See *id.* A time limitation for completion of administrative revocation proceedings seems problematic given the widely varying complexity of the technical issues likely to be involved in any given proceeding and the inevitability of the parties manipulating the pace of the proceedings to some extent.

Time-limits for initiating administrative patent revocation proceedings have been suggested previously. See, e.g., Wegner, *supra* note 150, at 201 (referring to the European nine-month time limitation for initiation of post-grant opposition proceedings and the relatively high fee for initiating such proceedings).

post-grant opposition.<sup>523</sup>

The proposed reference to a downstream “reexamination” proceeding carries with it all the problems detailed in this paper and is inadvisable. The proposal does, however, raise the intriguing possibility that an optimally-designed administrative revocation system might provide for full-fledged post-grant opposition for a limited time, followed by limited post-grant opposition thereafter. The limited post-grant opposition would retain full participation rights for the opposer but might have other limitations, perhaps even limitations on the substantive scope of validity challenges. Such a system would be procedurally complex but might prove more palatable in the near term than a switch to a full-fledged post-grant opposition system free of any time limitation. A “hedged” system, enacted on an experimental basis to gauge the importance of the time limitation and the nature and scope of the limitations that should be applied to opposition opportunities following expiration of the time limitation, would be highly instructive.

Third, the United States must take into account emerging Seventh Amendment jurisprudence in designing an administrative revocation scheme. The better view, espoused by Judge Nies in *Lockwood*,<sup>524</sup> is that Congress has the *authority* to remove patent validity altogether from Article III tribunals and could create, in effect, a mandatory administrative revocation system if it so desired. At some point in the future, it may become desirable for Congress to exercise this authority to its fullest extent, but only after experience demonstrates the advantages of an administrative revocation system. For now, Congress should fashion administrative patent revocation as an alternative to patent validity litigation,<sup>525</sup> allowing the U.S. patent system to build up experience with

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523. See A.B.A. SEC. INTEL. PROP., *supra* note 521 (Proposed Resolution 108-2). “Reexamination” as used in this proposal gives the patent owner complete control over the initiation of administrative review proceedings after expiration of the nine-month opposition period. “Reexamination” could only be initiated by the patent owner, but upon initiation of reexamination, any potential patent challenger would have the opportunity to participate to the full extent allowed by the opposition rules. See *id.*; see also *id.* at 136 (explaining the relationship between the proposed opposition proceeding and the proposed amended reexamination proceeding).

524. See *supra* Part III.F.

525. In this regard, I part ways with others who have, at one time or another, proposed administrative revocation regimes as a replacement for court adjudication. See, e.g., Gregory Gelfand, *Expanding the Role of the Patent Office in Determining Patent Validity: A Proposal*, 65 CORNELL L. REV. 75 (1979) (proposing to make post-issuance opposition proceedings the “mandatory and exclusive means for testing patent validity”); Motsenbocker, *supra* note 12, at 898-900 (arguing for a mandatory reexamination scheme); Nard, *supra* note 1, at 1444-45 (hinting at a future proposal for an administra-

true administrative revocation before establishing the administrative system as the exclusive forum for patent validity adjudication.<sup>526</sup>

Fourth, Congress should, in connection with proposals for pre-grant publication, strictly prohibit pre-grant opposition proceedings. Congress should make clear that pre-grant public participation should be limited to the opportunity to submit observations, as established in European patent practice.

Domestic and international factors, in confluence, present an attractive and compelling opportunity for Congress finally to enact a genuine administrative patent revocation system. Congress should set reexamination reform aside and seize the initiative to make bold and durable reforms to enhance patent validity adjudication.

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tive board that would hear validity *and* infringement matters, or, in the alternative, advocating a proposal for compulsory reexamination proceedings).

526. If reexamination reforms are enacted, then based upon the current state of Seventh Amendment jurisprudence, Congress must understand that a Seventh Amendment challenge is inevitable. *See supra* Part III.F.