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## **A PROPOSAL FOR EARLY INTERACTIVE THIRD PARTY PARTICIPATION AT THE USPTO**

### I. INTRODUCTION

Currently, various procedures exist at the United States Patent and Trademark Office (“USPTO”) that expand the options for third parties to challenge patents beyond solely resorting to litigation, which is often both time consuming and expensive. One of the most important public policy reasons for implementing such procedures is that third party participation can help decrease the number of “bad patents” that issue because examiners miss or misunderstand prior art references, and thus, reduce the negative effects that these patents have on the patent system and on innovation.<sup>1</sup> While existing procedures may be useful in some contexts, not a single existing procedure facilitates meaningful third party participation early in the patent process at a low cost to the public and third parties. Allowing third parties to participate in patent examination after the first Office Action or the applicant’s response to it would provide timing and cost benefits absent from current procedures and efficiently improve patent quality.

This article sets forth a proposal designed to facilitate and encourage useful third party participation early on in patent prosecution by incorporating the best features of current USPTO third party procedures into a pre-issue submission procedure. Specifically, the procedure would allow third parties to submit

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1. This proposal is designed to prevent issuance of patents that do not meet the current requirements for patentability under 35 U.S.C. §§ 101-103 (2006), not patents that are legally valid but considered vague, noncreative, or problematic, which have been discussed significantly elsewhere. Third parties, especially competitors, are more likely to have invalidating information and to understand the state of the art than patent examiners, and thus, using their resources will help to ensure the validity of issued patents. See Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 614-15 (2002) (“We need to design a system that better taps into patent validity information, much of which is in private hands . . . [or] the quality of patents will not improve.”).

prior art and respond to an applicant's arguments or examiner's findings during a limited period after the first Office Action or response. Like *Inter partes* reexamination,<sup>2</sup> this would allow for an interactive dialogue with the examiner, but unlike *Inter partes* reexamination, significant resources and estoppel would not be required. To provide the basis for this proposal, Part II of this article reviews current third party participation at the USPTO, including Protests, existing third party submissions, *Ex parte* reexamination, and *Inter partes* reexamination. Part III discusses details of the proposal, including the submission period, substance of submissions, and necessary revisions to existing law. Part IV describes specific advantages of this proposal over current procedures, including low cost interactive participation without the disincentive of estoppel provisions, increasing the certainty of patent rights, and keeping both asserted and non-asserted bad patents out of the patent system. Part V responds to potential criticisms of the proposal, including possible abuse of the procedure, longer prosecution time, and lack of participation incentive. Finally, Part VI concludes.

## II. BACKGROUND

Some background information on the strengths and weaknesses of current procedures at the USPTO is necessary to fully understand the benefits of this proposal. This section will review Protests, current third party submissions, and *Ex parte* and *Inter partes* reexaminations.

### A. Protests

Filing a Protest is one of the only existing outlets for third parties to participate *during* the examination process, but this participation is limited. Most importantly, because Protests cannot be filed after publication or notice of allowance without consent from the applicant,<sup>3</sup> Protests are practically limited to third parties

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2. See *infra* notes 10 through 18 and accompanying text for discussion on *Inter partes* reexamination.

3. 37 C.F.R. § 1.291(b) (2010).

who were familiar with the invention before the application was filed. Even for those parties, Protests are limited in scope to only (1) a listing of the patents, publications, or other information relied upon and (2) an explanation of the relevance of these items.<sup>4</sup>

### *B. Third Party Submissions*

Third party submissions to the USPTO are currently limited to ten total patents or publications without any explanation or other information.<sup>5</sup> While this procedure allows third parties to bring art to the attention of the examiner, it does not allow any further interaction with the examiner or applicant. In fact, the procedure is specifically structured in this way to “avoid compromising the objectivity of the *ex parte* character of the examination process.”<sup>6</sup> Thus, the process is discouraging for competitors, who have no opportunity to explain their position, and favorable to applicants, who have significant opportunities to explain away any art that is brought before the examiner during prosecution.

### *C. Reexamination*

After patent issuance, third parties also have some limited right to challenge validity, prior to or concurrently with litigation, through *Ex parte* or *Inter partes* reexaminations.

*Ex parte* reexamination is limited to issues raised by prior art patents and printed publications.<sup>7</sup> It requires a “substantial new

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4. *Id.* § 1.291(c). Also required are copies of each item or the relevant portion of it; English translations; and, if the Protest is a second or subsequent Protest by the same party in interest, an explanation as to why the issue(s) raised in the second or subsequent Protest are significantly different than those raised earlier and why the significantly different issue(s) were not presented earlier. *Id.*

5. *Id.* § 1.99(d).

6. *See* Changes to Implement Eighteen-Month Publication of Patent Applications, 65 Fed. Reg. 57024, 57042 cmt. 29 (Sept. 20, 2000).

7. 35 U.S.C. §§ 301-302 (2006); 37 C.F.R. § 1.552(a) (2010); M.P.E.P. § 2256 (2010). The PTO will not consider patentability or invalidity issues other than those based on patents or printed publications. 37 C.F.R. § 1.552(c); M.P.E.P. § 2258.

question of patentability,”<sup>8</sup> and while it does not include estoppel provisions, participation is limited to the initial submission.<sup>9</sup>

*Inter partes* reexamination allows more interactive third party involvement with reexamination of issued patents. Once *Inter partes* reexamination is granted based on “a substantial new question of patentability,”<sup>10</sup> the USPTO will send Office Actions similar to those presented during initial examination, to which the patent owner may respond with arguments, amendments, or new claims.<sup>11</sup> However, unlike initial examination, the third party requester may file written comments to the examiner in reply to every patent owner response.<sup>12</sup>

Statistics show that third parties have succeeded in *Inter partes* reexamination, with 49% of them resulting in all claims being cancelled and 43% resulting in claim changes.<sup>13</sup> Thus, by allowing third parties to interact with the examiner and applicant, *Inter partes* reexamination may provide the level playing field necessary for third parties to meaningfully contribute to validity determinations without resorting to litigation. However, *Inter partes* reexamination is a lengthy proceeding that consumes significant resources, requiring a special panel of experienced examiners at the USPTO called the Central Reexamination Unit (“CRU”),<sup>14</sup> an average pendency of nearly three years,<sup>15</sup> and costs

8. See 35 U.S.C. §§ 304, 312.

9. The original request may accordingly include, among other things, declarations from persons of ordinary skill in the art to explain the contents or pertinent dates of prior art patents or publications. See M.P.E.P. § 2205.

10. 35 U.S.C. § 312(a).

11. See *id.* § 314(b).

12. *Id.*

13. See U.S. PATENT & TRADEMARK OFFICE, *INTER PARTES* REEXAMINATION FILING DATA – JUNE 30, 2010 (2010), available at [http://www.uspto.gov/patents/stats/IP\\_quarterly\\_report\\_Dec\\_2010.pdf](http://www.uspto.gov/patents/stats/IP_quarterly_report_Dec_2010.pdf). Compare these numbers with *Ex parte* reexaminations initiated by third parties, in which all claims are cancelled only 13% of time and revised claims are issued 62% of the time. See U.S. PATENT & TRADEMARK OFFICE, *EX PARTE* REEXAMINATION FILING DATA – JUNE 30, 2010 (2010), available at [http://www.uspto.gov/patents/stats/EP\\_quarterly\\_report\\_Dec\\_2010.pdf](http://www.uspto.gov/patents/stats/EP_quarterly_report_Dec_2010.pdf).

14. See M.P.E.P. § 2226.

15. See U.S. PATENT & TRADEMARK OFFICE, *supra* note 13.

to participants that can rival those of initial patent prosecution.<sup>16</sup> Because of this, serious estoppel provisions are required to prevent abuse; once a final decision has been entered against a party and the party has not sustained its burden of proving invalidity of any patent claim in-suit, then neither that party nor its privies may thereafter request *Inter partes* reexamination of any such patent claim on the basis of issues that the party, or its privies, raised or could have raised in the prior action.<sup>17</sup> These estoppel provisions have discouraged participation, and even the USPTO has suggested that revision or clarification of estoppel provisions would be helpful.<sup>18</sup> However, so long as *Inter partes* reexamination maintains its complex character, some form of estoppel will be necessary to prevent abuse.

### III. PROPOSED PROCEDURE

Because of the success rate of *Inter partes* reexamination, this proposal attempts to take advantage of the successful interactive features of that procedure at an earlier stage in the patent process, at a lower cost, and with a higher participation rate. The proposed procedure would provide a limited period for third parties to respond to either the examiner's first Office Action or the applicant's response to that Office Action by submitting documents with explanations and/or arguments for a low fee without risking estoppel.

#### *A. Proposal*

The procedure would look similar to a Protest but with the interactive features of *Inter partes reexamination* and a different period for submission. The time period for submission would

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16. A fee of \$8,800 is required just to file an *Inter partes* reexamination, and each party also has patent prosecution costs. 37 C.F.R. §§ 1.20(c)(2), 1.915(a) (2010).

17. *See id.* § 1.907(b).

18. *See* U.S. PATENT & TRADEMARK OFFICE, REPORT TO CONGRESS ON *INTER PARTES* REEXAMINATION (2004), available at [http://www.uspto.gov/web/offices/dcom/olia/reports/reexam\\_report.htm](http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm).

begin when the examiner sends out the first Office Action on the merits, which includes either a notice of allowance or a substantive rejection of the applicant's claims. At that time, a third party would have the information necessary to create a meaningful response to the examiner.<sup>19</sup> In addition to responding to the examiner's comments, if the application is rejected, and the third party waits for the applicant's response to that rejection, the proposal would allow the third party to respond to and to attack the applicant's arguments as well.<sup>20</sup>

If the first Office Action includes a notice of allowance, then third parties would have three months from that notice of allowance to make submissions. If, instead, it includes a rejection, the submission period would end three months after the applicant's response to the rejection. The three month response period would be equitable, given that applicants have that long to respond during prosecution.<sup>21</sup> However, three months is short enough to avoid flooding the examiner or extensively lengthening prosecution. The submission procedure is not designed to be long and extensive like *Inter partes* reexamination, but to provide a short window for participation at the right time during prosecution.

As part of the submission, the third party should include documents relied upon and an explanation of their relevance. Further, third parties should be allowed to submit arguments on the merits in support of or against a patent examiner's or applicant's position, or in response to either party's understanding of the prior

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19. The first Office Action reveals what prior art the examiner used to reject claims, what prior art he allowed the claims over, the examiner's understanding of the prior art and the claims, and more. See M.P.E.P. Appendix R § 1.104 (2010).

20. Of course, under current practice, third parties cannot view the first Office Action and the applicant's response until after the USPTO publishes the application, which usually occurs after 18 months under 35 U.S.C. § 122(b) (2006). See *infra* notes 25 through 27 and accompanying text for further discussion of the practical consequences of current publication rules.

21. See M.P.E.P § 710.02(b). This time period is, in fact, even longer than the one month response period given to third parties in *Inter partes* reexamination. See 35 U.S.C. § 314(b). However, it should be longer, given that, unlike *Inter partes* reexamination, third party involvement ends at the beginning of prosecution rather than continuing throughout the prosecution process.

art. This takes into account that third party competitors might better understand the cited art or have access to art unavailable to the examiner. Initially, the third party submission procedure should end here, but if results are positive, expansion to subsequent Office Actions might be warranted.

A fee should be collected to discourage frivolous submissions. This fee should be significantly lower than reexamination fees to encourage parties to choose this low cost procedure over reexamination. The low fee also reflects that this procedure requires limited additional USPTO resources, with the exception of processing costs and extra reading for the examiner.

If the patent issues despite the submission, the submitter should not be estopped from making the same argument in a later proceeding. Because these submissions are limited in time and in scope to the first Office Action and response, strong estoppel provisions are simply not necessary. Also, logically, estoppel should not apply, because the submission is made as part of the normal course of examination and does not create a further proceeding; the third party is bringing information before the examiner that the examiner *should* see to fully review the application. Absent strict estoppel, the presumption of validity still helps ensure that judges who revisit the examiner's decision to issue a patent over submitted art and arguments will do so with some deference to that prior decision.

### *B. Implementation*

Before this procedure could be implemented, Congress would have to revise the current code to lift its ban on pre-issuance opposition after publication. Specifically, 35 U.S.C. § 122(c) states that “[t]he Director shall establish appropriate procedures to ensure that no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the applicant.”<sup>22</sup> Given this direct conflict with current law as well as patent law's emphasis on preserving *ex parte* patent

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22. 35 U.S.C. § 122(c).



examination,<sup>23</sup> Congress would be better suited to implement the proposed procedure by statute rather than the USPTO through regulation because of the high risk that such a regulation from the USPTO would be considered *ultra vires*.<sup>24</sup>

In addition, current law provides that, absent special circumstances or a request from the applicant in conjunction with a commitment not to file in other countries that require publication, all applications publish promptly after eighteen months, and correspondence between the USPTO and the applicant is publically available thereafter.<sup>25</sup> In most cases, this would be early enough to precede the first Office Action, as the average pendency of the first Office Action is 25.7 months.<sup>26</sup> For the limited number of applications in which the first Office Action issues prior to publication, the three month window for a submission after the applicant's response to first Office Action could be substituted with a submission period of three months after first publication.<sup>27</sup> One drawback of this proposal is that it could potentially cause more applicants to elect to keep their applications secret and forego foreign filings. However, in most cases, if the patents are potentially valuable, applicants will prefer to keep their option for foreign filing, and this additional procedure is unlikely to deter that preference.

#### IV. BENEFITS OF PRE-GRANT/POST-OFFICE ACTION SUBMISSION

The benefits of encouraging third party participation in the

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23. *See id.*; *see also* Changes to Implement Eighteen-Month Publication of Patent Applications, 65 Fed. Reg. 57024, 57042 cmt. 29 (Sept. 20, 2000).

24. Most current third party procedures, including protests, *Ex parte* reexamination, and *Inter partes* reexamination, are implemented by the USPTO based on statutory authority. *See supra* notes 3 through 10 and accompanying text.

25. 35 U.S.C. § 122(b).

26. *See* UNITED STATES PATENT AND TRADEMARK OFFICE, FISCAL YEAR 2010 USPTO PERFORMANCE AND ACCOUNTABILITY REPORT 2 (2010), *available at* <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>.

27. To prevent prosecution delays, an applicant can elect for early publication under 35 U.S.C. § 122(b).

patent system are numerous,<sup>28</sup> but the procedure described above would be particularly advantageous over existing procedures. Most importantly, it would (1) allow for the interactivity of *Inter partes* reexamination without the cost and estoppel provisions that discourage participation, (2) increase certainty of patent rights to the public and patentees, and (3) reduce the number of both asserted and non-asserted bad patents.

#### *A. A Lower Price for Interactive Participation*

As discussed above, this procedure allows third parties to interactively participate in patent prosecution after the first Office Action and response at a lower cost for everybody involved. For the USPTO, no special panel, like the CRU, is necessary: the information and arguments are simply submitted to the examiner, who is already examining the application. For the parties, while initial examination costs might be increased for patentees, the reward for both parties is a cheaper, easier, and less time consuming process than reexamination or litigation at a later date. In addition, the fee for third party requestors would be minimal compared to existing procedures that allow interactive involvement.

Further, the procedure allows for interactivity without the significant threat of estoppel that has discouraged parties from using *Inter partes* reexamination. Third parties would have less to lose by submitting art now because their arguments would be preserved for reexamination or litigation.

#### *B. Increased Certainty for the Public and Patentees*

This proposal also helps prevent the USPTO from issuing patents that should not be issued. Third parties, as competitors, are more likely than patent examiners to have invalidating information and to understand the state of the art. Thus, using their resources

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28. These include benefits to the public, competitors, and even the patentee. See, e.g., Jay P. Kesan & Andres A. Gallo, *Why "Bad" Patents Survive in the Market and How Should We Change? – The Private and Social Costs of Patents*, 55 EMORY L.J. 61 (2006).

will help to ensure the patents that issue are actually valid.<sup>29</sup> No amount of database searching can turn up all of the relevant information for a patent examiner, considering that some of that information is solely in the hands the patentee, his competitors, or other private parties.<sup>30</sup> Allowing third party submissions and encouraging them with a procedure that allows genuine involvement in examination with minimal effort helps to reduce the information imbalance between the USPTO examiner and the applicant. With better patents, the public can be more certain that patents are valid and conduct research and development, as well as licensing negotiations, accordingly.

Advocates of strong patent rights might initially be opposed to this submission system, but they should keep in mind that the system also benefits patentees. More rigorous scrutiny at the USPTO through third party submissions and arguments will give patentees better assurance that issued patents will hold up in court, even if examination is initially more difficult.<sup>31</sup> Encouraging early disclosure from third parties also benefits the patentee by reducing the risk that prior art or other information will come to light to invalidate the patent after the patentee has invested resources into a patented product. Moreover, the patentee has the benefit of revising claims in response to the third party information during prosecution, potentially resulting in issuance of stronger claims, and such revision becomes more difficult and costly after patent issuance.

### *C. Preventing Bad Patents Earlier*

This more extensive pre-grant third party procedure could also be better than post-grant procedures at preventing the “chilling” effect for patents that are improperly issued, even including those that are never asserted. Because third parties use the threat of

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29. See Merges, *supra* note 1.

30. See Jay P. Kesan, *Carrots and Sticks to Create a Better Patents System*, 17 BERKELEY TECH. L.J. 763, 767 (2002) (“Hence, the Patent Office is unlikely to be well informed about the relevant prior art, creating an asymmetry between the patentee’s information and the information possessed by the Patent Office.”).

31. See Kesan & Gallo, *supra* note 28 at 109.

reexamination as a bargaining tool, reexaminations are typically initiated by third parties after a patent is asserted, when licensing negotiations break down or when litigation is initiated. Thus, reexamination does little to address the problem of patents that prevent competition by their mere existence, even if never asserted.<sup>32</sup>

#### V. RESPONSES TO POTENTIAL CRITICISMS.

The proposed system, like any proposal, has its flaws. Opening the patent system to interactive, low cost third party participation creates opportunity for abuse. Because the procedure requires limited resources, third parties might attempt to delay prosecution by submitting frivolous claims in high volume. In Japan, for example, pre-grant oppositions were eliminated because of such abuse.<sup>33</sup> To address this problem, the proposal, while broader than current pre-grant procedures, is not a full opposition system for third parties but is instead limited to only responses to the first Office Action. Limiting the submission period also addresses these concerns by setting a deadline for submissions. In addition, the USPTO could limit submissions by a single party, or the quantity of total submissions, to prevent overload for the examiner.

Similarly, significant third party submissions, or in some cases, even a single submission, may result in increased delays prior to

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32. Even issued patents that are not asserted can negatively affect innovation and competition. *See generally* Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 MINN. L. REV. 101 (2006). Competitors who sell potentially infringing products face potential liability for significant damages, litigation costs, or reexamination costs. These competitors might choose to avoid a market or wastefully design around a patent prior to entry when that market is occupied by a patent, regardless of patent validity. *See id.*

33. *See* Kesan & Gallo, *supra* note 28 at 110 (“[In Japan,] the change to a post-grant system was the result of complaints and a strong lobby by American firms that felt Japanese firms were using the pre-grant system to block their inventions.”). Germany and the United Kingdom restricted or eliminated pre-grant opposition for similar reasons. *See* Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1, 116-17 & n.512 (1997).

patent issuance, and thus, a reduced patent term.<sup>34</sup> In many situations, this loss of term is harmless, or minimally harmful when compared to the many benefits of allowing third party submissions discussed above. However, within certain technological fields, such as pharmaceuticals, every day of patent term can be worth millions of dollars,<sup>35</sup> and as such, any proposal that delays patent issuance can cause very real problems and will face very serious opposition. Existing laws that allow for patent term adjustment based on delay by the USPTO would potentially apply in some circumstances, and if necessary, these laws could be revised to include specific provisions that make adjustments for delays that occur due to this new third party submission procedure.<sup>36</sup>

While the potential exists for third parties to flood the system, the potential also exists for the opposite problem; parties might not provide submissions at all. Part of the incentive for parties to participate after the first Office Action and response is that interested parties can understand how the examiner and the applicant view the application at that time. Consequently, challengers will be able to assess the quality of the prior art they possess compared to the Patent Office's cited prior art, and therefore, make an informed decision about mounting a pre-grant challenge.

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34. Patent term is calculated from the filing date rather than the issue date: the term of a patent begins "on the date on which the patent issues and end[s] 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, or 365(c) of this [Title 35], from the date on which the earliest such application was filed." 35 U.S.C. § 154(a)(2) (2006).

35. See, e.g., Ceci Connolly, *Coalition Seeks to Curb Drug Patent Extensions*, WASH. POST, Mar. 25, 2002, at A1, available at <http://www.washingtonpost.com/ac2/wp-dyn?pagename=article&node=&contentId=A12031-2002Mar24&notFound=true> (stating that drug manufacturer AstraZeneca collected \$5.6 million in revenue each day that the patent for the drug Prilosec remained enforceable).

36. For example, the USPTO currently allows for patent term adjustment due to delayed responses from the examiner, failure to act upon an application, or lengthy overall pendency because of action or inaction from the USPTO. 35 U.S.C. § 154(b).

A third party might also choose to participate because the program allows more broad participation than *Ex parte* reexamination, like *Inter partes* reexamination, but without estoppel. Third parties have less to lose by submitting art now, with their arguments still being preserved for reexamination or litigation. Further, positive participation numbers in pre-grant third party programs currently being tested by the USPTO indicate that encouraging participation may not be a problem at all.<sup>37</sup>

Thus, while the system is not flawless, options exist to reduce its flaws and its potential benefits outweigh potential drawbacks.

## VI. CONCLUSION

Third party participation after the first Office Action or response would provide significant rewards at a minimal cost to the parties and the patent system. This article proposes a submission process that allows third parties to submit prior art and respond to an applicant's arguments or examiner's findings in the first Office Action and response for a low fee and without the threat of estoppel. This proposal would encourage third parties to interactively participate in patent prosecution and improve the quality of issued patents.

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37. The Peer to Patent project pilot, for example, attracted more the 2600 reviewers by 2009. ALLEN, ET. AL, PEER TO PATENT SECOND ANNIVERSARY REPORT 5 (June 2009), available at [http://dotank.nyls.edu/communitypatent/CPI\\_P2P\\_YearTwo\\_hi.pdf](http://dotank.nyls.edu/communitypatent/CPI_P2P_YearTwo_hi.pdf). Because early disclosure is good for the USPTO, a more radical solution could be a "patent bounty" to award submissions that prove to be useful to the examiner. See generally John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. ILL. L. REV. 305 (2001) (describing a "Patent Bounty" to reward third parties who offer invalidating information to the USPTO).

