YALE LAW & POLICY REVIEW

The Fruits of the Convoluted Road to Patent Reform: The New Invalidity Proceedings of the Patent and Trademark Office

*Jeffrey P. Kushan**

Introduction

The patent system, by its very nature, prompts debates over the proper balance of freedoms and restrictions with respect to the use of new technology. On the one hand, in industries where competitive pressures force companies to launch new and improved products on a twelve-year, six-year, or even faster cycle, twenty-year patent exclusivity can seem perhaps an anachronism, especially when it takes three to five years to secure rights. On the other hand, patent exclusivity is crucially important for certain products—namely, those requiring tremendous up-front investments and years of effort to develop and launch, but which are easy and inexpensive to copy.[1] For more than 220 years, Congress has tilted in favor of retaining the patent system, with its simple principle that a grant of exclusive rights over an invention best serves the public interest of promoting the "[p]rogress of [s]cience and useful [a]rts."[2]

A predicate to this policy choice, however, is that patents issued to inventors are valid. Because patents are examined before they are granted, they enjoy

* Mr. Kushan is a partner of Sidley Austin LLP, based in Washington, D.C. He is a co-chair of Sidley Austin's national intellectual-property litigation practice, and is head of the Washington, D.C., patent group in that practice. The author wishes to thank J High of Sidley Austin LLP for invaluable assistance in the preparation of this Essay.

1. *See* FTC, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy 1-2 (2003), *available at* http://www.ftc.gov/os/2003/10/innovationrpt.pdf.

2. U.S. Const. art. 1, § 8, cl. 8 ("The Congress shall have the power . . . To promote the Progress of Science and useful arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

a presumption of validity.[3] In litigation, a party wishing to challenge the validity of the patent must establish, by clear and convincing evidence, that the patent is invalid. Before a lay fact finder, this standard is appropriate and helps preserve respect for the examination process. The cost of litigation, and its inherent uncertainty, however, can erode the balance underlying this policy choice. If the price of contesting the validity of any patent is excessive—either because of the cost of conducting litigation, or, more importantly, the consequences of losing—parties facing invalid patents may elect not to challenge them, and instead discontinue the use of the patented technology or take licenses where doing so would be unnecessary on the merits of the patent.

An administrative proceeding before the Patent and Trademark Office (PTO), the agency that grant patents, can thus play a crucially important role in providing a way to contest patents without incurring the risks or costs of litigation. Congress recognized this more than thirty years ago when it created the first of these schemes (*ex parte* reexamination), and again in 1999 when it created the *inter partes* reexamination system. Debates over the viability and effectiveness of these reexamination systems, however, have revealed their limitations and identified important principles that Congress has used to create two new procedures—post-grant review and *inter partes* review—in the Leahy-Smith America Invents Act (AIA).[4] A survey of the history of the reexamination proceedings and debates over them during the development of the new procedures provides important insights into how the new procedures will function and the types of patents they will be well-suited to challenge.

I. The Path to the Patent-Validity Proceedings in the America Invents Act: A Debate Transitions into a Divergent Reform Agenda

In the fall of 2004, an ad hoc group of companies began an intriguing dialogue about patent-law reform. Instead of articulating generalized principles important to each sector,[5] this group took on a more pragmatic task: identifying

3. *See* 35 U.S.C. § 282 (2006); Microsoft Corp. v. i4i Ltd. P'ship, 131 S. Ct. 2238, 2243 (2011) (observing that the presumption is based on "the basic proposition that a government agency such as the [PTO] [is] presumed to do its job") (first alteration in original) (citing Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350 (Fed. Cir. 1984)).

4. Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 28 and 35 U.S.C.).

5. An extensive public dialogue on the patent system was mediated between 2001 and 2004 by several groups, including the Patent and Trademark Office (PTO), the FTC, and the National Academy of Sciences. *See, e.g.*, Comm. on Intellectual Prop. Rights in the Knowledge-Based Econ., Nat'l Research Council of the Nat'l Acads., A Patent System for the 21st Century (Stephen A. Merrill, Richard C. Levin & Mark B. Myers eds., 2004) [hereinafter National Academies Report] (compiling recommendations from hearings and testimony organized by the National Academy of Sciences); *Competition and Intellectual*

specific legislative concepts and language to include in a bill to reform the patent system.

Discussions began on a constructive note. Companies within the information-technology sector identified their serious concerns over asymmetric patent litigation, which occurs when nonpracticing patent owners with minimal assets and exposure exploit uncertainty and unpredictable economic risk to secure large settlements.[6] These companies proposed "litigation-centric" changes, including the way in which patent damages are determined, the basis for granting injunctive relief, limiting venue, and the circumstances that could justify a finding of willful infringement. Other proposals focused on patent quality, particularly on developing a more flexible non-obviousness standard anchored in "real-world" considerations. Closely aligned with the information-technology industry were companies within the financial-services industry, which came to the table with a particular concern over the proliferation of "business-method" patents. By contrast, companies within the life-sciences and manufacturing sectors proposed reform measures that would yield more efficient patent-granting procedures, reduce the uncertainty of the inequitable-conduct doctrine, and promote global patent-law harmonization, including conversion of the U.S. system to the "first-inventor-to-file" standard for awarding patents followed by other countries.[7]

Property Law and Policy in the Knowledge-Based Economy: Notice of Public Hearings and Opportunity for Comment: Public Comments, Fed. Trade Comm'n (June 20, 2007), http://www.ftc.gov/os/comments/intelpropertycomments/index.shtm (listing testimony and public comments from patent stakeholders at various sites across the country). Each of these institutions conducted numerous public hearings around the country, solicited testimony from stakeholders of the patent system and the public, and published extensive and detailed reports that reflected a deliberative and thoughtful exploration of key elements of the patent system. The work of these groups unquestionably helped define the legislative agenda for patent-law reform; it was an impetus for the judicial reforms that have reshaped the patent system in a way that has not been seen since the deliberations that yielded the 1952 patent-reform law.

6. *See, e.g.*, *Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary* (May 23, 2006) (testimony of Mark Chandler, Senior Vice President & General Counsel of Cisco Sys.), *available at* http://www.patentfairness.org/pdf/chandler_0523_testimony_final.pdf; *Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the S. Comm. on the Judiciary*, 109th Cong. (June 14, 2005) (testimony of Chuck Fish, Vice President & Chief Patent Counsel of Time Warner, Inc.), *available at* http://www.gpo.gov/fdsys/pkg/CHRG-109shrg38563/pdf/CHRG-109shrg38563.pdf; Micheal J. Meurer & James Bessen, *The Patent Litigation Explosion* (Am. Law & Econ. Ass'n Annual Meetings, Paper No. 57, 2005), *available at* http://law.bepress.com/cgi/viewcontent.cgi?article=1532&context=alea.

7. *See, e.g.*, Biotech. Indus. Org., Response of Biotechnology Industry Organization to the Federal Trade Commission's Patent System Reform

The discussions revealed a consensus on certain reforms, such as willful infringement issues and conversion of the U.S. system to a first-inventor-to-file standard.[8] They also demonstrated at least conceptual support for a more robust administrative proceeding to contest patent validity (discussed in Part II). Discussions, however, soon ran into roadblocks, as it became clear that certain types of reforms could not be realized without harming core interests of the other technology sectors. In particular, the litigation-reform agenda advanced by information-technology companies quickly came to dominate the discussions and, just as quickly, became a nonstarter for companies in life-sciences and other patent-dominant sectors.

Over the next six years, this division of interests drove the often-contentious legislative process.[9] The House and Senate, through different Congresses, pressed and strained to create compromises on the issues of damages, venue reform, inequitable conduct, and other highly controversial issues within the litigation-reform agenda.[10] These sharp divisions did not follow party lines; indeed, the change in the leadership of the House in 2008 did little to ad-

---

Recommendations (2004), *available at* http://www.bio.org/sites/default/files/ResponsetoFTCPatReformrecommendations.pdf; Letter from Biotech. Indus. Org. to Subcomm. on Courts, the Internet, & Intellectual Prop. of H. Comm. on the Judiciary (Apr. 26, 2007), *available at* http://www.bio.org/advocacy/letters/hr-1908-patent-reform-act-2007; Letter from Carl B. Feldbaum, President, Biotech. Indus. Org., to James Rogan, Dir., PTO (May 6, 2002), *available at* http://www.bio.org/sites/default/files/ltr20020506_0.pdf; Letter from A. Scott Whitaker, Chief Operating Officer, Biotech. Indus. Org., to Rep. Lamar Smith & Rep. Howard Berman (May 12, 2005), *available at* http://www.bio.org/sites/default/files/20050513.pdf.

8. The first-to-file reform effort had been advanced without significant progress for more than thirty years prior to the Leahy-Smith America Invents Act (AIA), despite receiving extensive support from distinct sectors of industry and numerous governmental commissions. *See, e.g.*, Report of the President's Commission on the Patent System, S. Doc. No. 90-5 (1st Sess. 1967) (an initiative of the Johnson Administration); Advisory Comm'n on Patent Law Reform, A Report to the Secretary of Commerce (1992); National Academies Report, *supra* note 5.

9. *See* Liza Vertinsky, *Comparing Alternative Institutional Paths to Patent Reform*, 61 Ala. L. Rev. 501, 528 (2010) (noting that proposed legislation created "dividing lines" between the technology and life-sciences industries); *see also, e.g.*, Patent Act of 2009, H.R. 1260, 111th Cong. (failed to move past committee after hearings); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (read in Senate but not voted on); Patent Reform Act of 2006, S. 3818, 109th Cong. (failed to move past committee); Patent Act of 2005, H.R. 2795, 109th Cong. (failed to move past committee after hearings).

10. *See, e.g.*, Jonathan W. Parthum & Philippe J.C. Signore, *Patent Reform: The Debate Continues into 2010*, *in* Fourth Annual Patent Law Institute, at 355, 357 (PLI Patent, Course Handbook Ser. No. 997, 2010).

vance the legislation.[11] Fortunately, the legislative paralysis on the highly contentious litigation-reform-agenda issues did not impede the development of other parts of the patent-reform agenda. Through successive Congresses, legislative language evolved concerning the first-to-file change, assignee filing, willful infringement, and post-grant-review procedures. In addition, efforts were made to resolve some of the more contentious issues by reforming the way in which disputes would be handled by the courts[12] or by creating new administrative procedures at the PTO.[13]

As the legislative process remained paralyzed, the judiciary stepped into the void and fundamentally reshaped key aspects of patent law. In a series of decisions, the Supreme Court and the U.S. Court of Appeals for the Federal Circuit recast the standards of non-obviousness,[14] injunctive relief,[15] patent exhaustion,[16] damages,[17] willful infringement,[18] patent eligibility,[19] venue and jurisdiction,[20] inequitable conduct,[21] and minimum pleading.[22] Indeed, through these judicial interventions, much of the contentious agenda that defined the decade-long legislative process was addressed, albeit in ways that may not have been envisioned at the start of the reform efforts.

---

11. *See* Kevin R. Davidson, *Retooling Patents: Current Problems, Proposed Solutions, & Economic Implications for Patent Reform*, 8 Hous. Bus. & Tax L.J. 425, 460 (2008); *see also* Craig Allen Nard & R. Polk Wagner, Patent Law 33 (2008) (noting that "patent law issues rarely separate neatly along political party lines").

12. *See, e.g.*, Patent Reform Act of 2009, S. 515, 110th Cong. sec. 4(a) (listing gatekeeper provisions relating to damages determinations). These measures, however, were not ultimately enacted into law.

13. The lack of consensus over reforms to the inequitable-conduct doctrine led to the creation of an administrative procedure that patent owners could use to correct errors or omissions during the original examination of the patent. The latter measures, introduced by Senator Leahy, *see* S. 23, 112th Cong. sec. 10 (as introduced, Jan. 25, 2011), were ultimately enacted as the supplemental examination procedure specified in 35 U.S.C. § 257.

14. *See* KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 419-22 (2007).

15. *See* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).

16. *See* Quanta Computer, Inc. v. LG Elecs., Inc., 553 U.S. 617 (2008).

17. *See* Microsoft Corp. v. i4i Ltd. P'ship, 131 S. Ct. 2238 (2011).

18. *See In re* Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

19. *See In re* Bilski, 545 F.3d 943 (Fed. Cir. 2008) (en banc).

20. *See, e.g., In re* Genentech, Inc., 566 F.3d 1338 (Fed. Cir. 2009) (finding that the district court abused its discretion by denying the defendants' motion to transfer).

21. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1291-95 (Fed. Cir. 2011) (en banc).

22. *See* Ashcroft v. Iqbal, 556 U.S. 662 (2009); Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007).

Thus, by late 2011, the issues requiring legislative intervention for reform were narrowed significantly, which allowed a final compromise to be reached on the less contentious elements of the original legislative patent-reform agenda. Consequently, the Senate and the House, acting in rapid succession, resolved the open issues and passed the AIA.[23]

II. The Foundations of the New PTO Invalidity Proceedings

The most tangible remnants of the original litigation-motivated patent-reform agenda are the new administrative procedures established to permit challenges to patent validity before the PTO—the so-called "post-grant" and "*inter partes*" reviews. These new procedures enable members of the public to contest the validity of a patent in administrative proceedings conducted by the PTO.[24]

While some may be inclined to cast the new proceedings as the evolutionary successors of the PTO's existing patent-reexamination procedures, in reality their lineage is the PTO's patent-interference practice.[25] Only the latter system uses the same model found in the new post-grant and *inter partes* review procedures—namely, pleadings filed by opposing parties before a PTO panel acting as the adjudicator, limited discovery, and use of oral hearings. Further, as the recently published draft rules on the new proceedings show,[26] the PTO is draw-

23. Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at scattered sections of 28 and 35 U.S.C.).

24. In addition, the legislation created a new "derivation" proceeding, which permits those patent applicants who believe that an earlier filer improperly derived their invention to contest title to a patent for the invention. *See* 35 U.S.C.A. § 135 (West 2001 & Supp. 2012). The new derivation proceedings address one of the primary concerns of the shift to a first-to-file system for granting patents—namely, that entities with greater resources or more familiarity with the patent system will unfairly be able to learn of inventions made by others and then win a footrace to the PTO to secure rights to that invention. The new procedure allows a later filer to contest title to an invention claimed by an earlier filer under certain conditions. The PTO has announced that it will use a contested proceeding before the Patent Trial and Appeal Board to conduct and resolve these proceedings. *See* Changes To Implement Derivation Proceedings, 77 Fed. Reg. 7028 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42).

25. The PTO conducts patent-interference proceedings under the authority of 35 U.S.C. § 135(a), which permits the Director to determine who was the first inventor and is thus entitled to a patent. For applications filed after the first-to-file changes in the AIA take effect, the PTO will not conduct interferences, as patents will be awarded to the first of the inventors who filed the application.

26. *See* Changes To Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42); Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060 (Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42); Revision of Standard for Granting an Inter Partes

ing extensively from its interference "contested proceedings" model to define the way in which it will conduct the new post-grant and *inter partes* review proceedings.[27]

A. The Original Invalidity Proceedings: Ex Parte *Reexamination*

The original post-grant invalidity proceeding[28]—the *ex parte* patent-reexamination system—was enacted in 1980 and provided the first procedure, outside of a court proceeding, by which a third party could challenge the validity of a patent.[29] When it was enacted, it was portrayed as being an efficient and less costly way for patent owners and the public to obtain review of a patent. As the House committee report explained:

> This new procedure will permit any party to petition the patent office to review the efficacy of a patent, subsequent to its issuance, on the basis of new information about preexisting technology which may have escaped review at the time of the initial examination of the patent application. Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. This, in turn, will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions.[30]

However, from its inception, the *ex parte* reexamination proceeding has been seen as biased in favor of the patent owner.[31] Three factors have contribut-

---

Reexamination Request, 76 Fed. Reg. 59,055 (Sept. 23, 2011) (to be codified at 37 C.F.R. pt. 1).

27. For example, the proposed rules show that the PTO intends to carefully limit the issues that can be raised in the proceedings, impose strict limits on discovery and the presentation of evidence, and rely extensively on motion practice and written pleadings to frame and resolve the disputes over validity, consistent with existing rules governing patent-interference proceedings. *See* sources cited *supra* note 26.

28. In the late 1970s, the PTO allowed third parties to participate in reissue proceedings to correct a patent. *See* Patent Examining and Appeal Procedures, 42 Fed. Reg. 5588, 5594-95 (Jan. 28, 1977) (codified at 37 C.F.R. pt. 1).

29. Patent applicants could invalidate an issued patent that was determined to interfere with an invention claimed in that party's application by demonstrating prior invention under 35 U.S.C. § 102(g)(1) (1982). *See* 37 C.F.R. §§ 1.201-1.287 (1978) (removed) (outlining interference proceedings); *see also* Ian A. Calvert, *An Overview of Interference Practice*, 62 J. Pat. Off. Soc'y 290 (1980) (describing the interference proceedings prior to the 1980 reform).

30. H.R. Rep. No. 96-1307(I), at 3 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6461, 6462.

31. In fact, this bias is reflected in the legislative history. *See id.* at 4 ("A new patent reexamination procedure is needed to permit the owner of a patent to have the validity of his patent tested in the Patent office where the most expert opinions exist and at a much reduced cost. Patent office reexamination will greatly reduce,

ed to this perception. First, the proceeding permits only a nominal role for the third party; namely, to present a substantial new question of patentability to the PTO for resolution. If the PTO determines that reexamination is merited, it will conduct that proceeding without further involvement by the challenger. Second, once started, the proceeding allows the patent owner to conduct interviews, amend claims, and resolve patentability defects without any involvement or opposition by the third party. Finally, the proceeding is of limited scope; only patents and printed publications (not other types of evidence) can be used to contest the patent. Particularly in view of the prohibition on third-party involvement in the proceeding, this latter restriction meant that third parties would challenge patents using *ex parte* reexamination only in the most clear-cut cases of anticipation or obviousness.[32]

B. *Pre-AIA Efforts To Create a More Robust System for Contesting Patent Validity Before the PTO*

The perceived bias of the *ex parte* reexamination system, which grew over the years, led to numerous calls for reforms to permit a greater degree of involvement by third parties. For example, in 1992, the Advisory Commission on Patent Law Reform—an advisory panel to the Secretary of Commerce—called for a series of changes to the *ex parte* reexamination system to make it a more balanced and fair process for third parties.[33] Among its recommendations were: (1) enlarging the scope of reexaminations to "include compliance with all aspects of 35 U.S.C. § 112 except for best mode;"[34] (2) permitting third-party participation in PTO interviews;[35] (3) allowing more opportunities for the third party to file written observations during the proceedings;[36] (4) providing third

---

if not end, the threat of legal costs being used to 'blackmail' such holders into allowing patent infringements or being forced to license their patents for nominal fees.").

32. Historical statistics show that the number of *ex parte* reexamination requests filed annually has ranged from 187 in 1982 to 759 in 2011; they represent a tiny fraction of all patents issued. *See* PTO, *Ex Parte* Reexamination Filing Data—September 30, 2011 (2011), http://www.uspto.gov/patents/EP_quarterly_report_Sept_2011.pdf.

33. *See* The Advisory Comm'n on Patent Law Reform, A Report to the Secretary of Commerce (1992).

34. *See id.* at 118 (Recommendation VII-A).

35. *Id.* at 120 (Recommendation VII-C) ("A third party requester should have the right to participate in any examiner interview initiated by the patent owner or by the examiner.").

36. *Id.* at 120-21 (Recommendation VII-D) ("A third party requester should have the right to submit written comments at the close of prosecution of a patent under reexamination.").

parties with rights to appeal and to participate in patent-owner appeals;[37] and (5) imposing estoppel against further proceedings or litigation against a third party who elects to challenge a patent through reexamination.[38]

Based in part on these recommendations, legislation was introduced in the 103rd Congress to reform the *ex parte* patent-reexamination system. For example, the Patent Reexamination Reform Act of 1994[39] proposed to expand the scope of *ex parte* reexamination to (1) include enablement and written description issues under § 112, first paragraph; (2) allow third parties to file written observations throughout the reexamination process; and (3) give third parties the right to initiate or participate in appeals.[40] The Patent Reexamination Reform Act also would have estopped third parties who participated in such appeals from making future validity challenges to the patent if the patent was confirmed.[41]

Efforts to legislatively expand reexamination continued in the 104th and 105th Congresses. For example, in the 104th Congress, reexamination-reform bills were introduced or included in legislation proposing a broader array of patent reforms emanating from the 1992 Advisory Commission report.[42] New concepts for reexamination arose in these bills. For example, Senate Bill 1961 proposed to require identification of the real party in interest of the challenger—existing reexamination procedure, like previous bills, allowed the challenger to remain anonymous—as well as specificity in the pleadings contesting validity.[43] Similarly, during the debates on House Bill 400, the 105th Congress abandoned the concept of expanding the grounds available in reexamination proceedings to include issues of compliance with § 112, first paragraph (other than best mode), and the new proposed system limited itself to issues raised by

37. *Id.* at 121 (Recommendation VII-E) ("A third party who requested and participated in a reexamination should be permitted to appeal any adverse decision of the Examiner to the Board of Patent Appeals and Interferences and to the Federal Circuit.").

38. *Id.* at 122 (Recommendation VII-F) ("A reexamination should not be initiated or continued on any patent claim held valid in an entered judgment, or its equivalent, of a district court in an action in which the requesting party or its privies raised or could have raised the same issues.").

39. S. 2341, 103d Cong. (1994).

40. *Id.* sec. 3.

41. *Id.*

42. *See, e.g.*, Moorhead-Schroeder Patent Reform Act, H.R. 3460, 104th Cong. tit. V; The Omnibus Patent Act of 1996, S. 1961, 104th Cong. tit. V; Patent Reexamination Reform Act of 1995, S. 1070, 104th Cong.; Patent Reexamination Reform Act of 1995, H.R. 1732, 104th Cong.

43. *See* S. 1961 sec. 503, § 302(b)(1), (2).

patents and printed publications—the same as in *ex parte* reexamination.[44] And the idea of allowing a challenger to present only a single validity challenge—either through reexamination or litigation—was proposed.[45]

Broad-ranging patent-law reform was eventually passed in the 106th Congress, and with it came a new reexamination procedure called "optional *inter partes* reexamination."[46] The new procedure incorporated many of the concepts presented in bills from the 103rd and 104th Congresses, but, as enacted, allowed validity challenges only for issues raised by patents and printed publications.[47] Also, instead of having the third party and the patent owner present arguments and evidence to the PTO acting as an adjudicator, the new system simply grafted onto the *ex parte* reexamination procedure a right for the third-party requestor to "file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response."[48] Placing a patent examiner between the adversaries, presumably to filter the assertions of the patent challenger through an independent and neutral party, was an unusual model for an adversarial proceeding. In addition, the third party was given a right to appeal an "adverse" judgment of the PTO (i.e., a judgment that the patent was not invalid over the cited prior art).[49]

The price of this participation, however, was steep. The law included a series of estoppels that prohibit a third party from making multiple validity challenges to the patent in courts and before the PTO. First, the law prohibited the challenger from contesting in a future civil action the validity of any claim held to be patentable in the *inter partes* reexamination on any grounds that were

44. *Compare* H.R. 400, 105th Cong. sec. 503, § 302 (as introduced, Jan. 9, 1998), *with id.* sec. 503, § 302(a) (as amended and reported by S. Comm. on the Judiciary, Mar. 23, 1998).

45. *See, e.g.*, H.R. 400 sec. 503, § 308.

46. American Inventors Protection Act of 1999 (AIPA), Pub. L. No. 106-113, § 4601, 113 Stat. 1501, 1501A-567 (codified as amended in scattered sections of 35 U.S.C.). AIPA established, inter alia, an eighteen-month publication of patent applications, *id.* § 4502, limited prior use rights, *id.* § 221, refinements to the prior-art standard, *id.* § 4505, and other reforms, many of which were recommended in the 1992 Advisory Commission report. The new *inter partes* reexamination procedure was enacted as §§ 4601 to 4604 of AIPA.

47. For example, the PTO can order *inter partes* reexamination of a patent only if the cited patents or printed publications raise a substantial new question of patentability with respect to at least one claim of the patent. *See* 35 U.S.C. § 313 (2006).

48. *See id.* § 314(b)(2). The PTO conducts an *inter partes* reexamination in "the same manner" in which it conducts the original examination; namely, it issues PTO actions to which the patent owner and the third party must respond. *See id.* § 314(a).

49. *See id.* § 315.

raised or that could have been raised in the proceeding.[50] Notably, this estoppel also attached at an early point in the proceeding—when the PTO issued the order commencing the proceeding—rather than at the date of the final decision or the third-party appeal.[51] Second, the third-party requestor was barred from initiating any further reexaminations of the patent (*ex parte* or *inter partes*) before the PTO completed the first one.[52] Third, if the challenger had previously contested the validity of any of the claims of the patent in a civil action and lost, that party was generally barred from initiating *inter partes* reexamination of the patent.[53]

The tradeoffs in the *inter partes* reexamination system have limited its use to specific, fairly well-defined situations.[54] Consequently, in the years since its enactment, although the overall volume of challenges has remained low, the number of *inter partes* reexaminations has steadily increased from a handful of requests in the first years after enactment to 374 filed in 2011, with ninety-eight

50. *Id.* § 315(c) ("A third-party requester whose request for an *inter partes* reexamination results in an order under section 313 is estopped from asserting at a later time . . . the invalidity of *any claim finally determined to be valid and patentable on any ground* which the third-party requester *raised or could have raised during the inter partes reexamination proceedings*.") (emphasis added). The AIPA also added an uncodified and somewhat unusual "fact estoppel" provision. This provision, found in § 4607 of the AIPA, provides that "[a]ny party who requests an inter partes reexamination under section 311 of title 35, United States Code, is estopped from challenging at a later time, in any civil action, any fact determined during the process of such reexamination, except with respect to a fact determination later proved to be erroneous based on information unavailable at the time of the inter partes reexamination decision." *Id.* § 4607 (emphasis added).

51. One consequence of the early attachment of the estoppel is to limit the ability of the challenger and the patent owner to settle their dispute over the validity of the patent. By contrast, in the new post-grant and *inter partes* review procedures, the estoppel attaches on the date of a final written decision of the Patent Trial and Appeal Board. *See, e.g.*, 35 U.S.C.A. § 325(e)(2) (West 2001 & Supp. 2012) ("The petitioner in a post-grant review of a claim in a patent under this chapter that *results in a final written decision under section 328(a)*, or the real party in interest or privy of the petitioner, may not assert . . . that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that post-grant review.") (emphasis added).

52. *See id.* § 317(a).

53. *See id.* § 317(b).

54. One such situation occurs when a party has been sued by a nonpracticing patent owner, settlement is likely, and future litigation involving the patent is unlikely. In this situation, the estoppel provisions do not present significant concerns and the benefits of initiating the validity challenge can be significant. Another is where the prior art plainly anticipates claims that present a risk for the challenger but are technically complex. Here, the technical expertise of the PTO offers a tangible benefit.

proceedings pending for the first quarter of 2012 alone.[55] The results of *inter partes* reexaminations may have contributed to this increase: Commentators suggest that third-party requesters "succeed" between sixty-five and seventy-three percent of the time.[56]

C. Continued Calls for a More Robust Post-Grant Invalidity Contest

Soon after enactment of the *inter partes* reexamination system, calls resumed for the creation of a more robust PTO proceeding in which to contest patent validity. For example, in the 107th Congress, Representative Zoe Lofgren introduced a bill that would have amended the *inter partes* reexamination system to allow challenges on issues relating to compliance with the written description and enablement requirements of § 112, first paragraph, as long as the request for *inter partes* reexamination was filed within twelve months of the date the patent issued.[57]

Around this time, broader public debates began on the need for more substantial reforms to the patent system than had been achieved with the AIPA. For example, between February and November of 2002, the FTC held public hearings on a wide range of patent-reform topics.[58] The first recommendation that the FTC presented in its subsequent report was to establish a more robust administrative proceeding before the PTO for challenging patents:

55. *See, e.g.*, PTO, *Inter Partes* Reexamination Filing Data—September 30, 2011 (2011), *available at* http://www.uspto.gov/patents/IP_quarterly_report_September_2011.pdf; PTO, Reexaminations—FY 2012 (2011), *available at* http://www.uspto.gov/patents/stats/reexamination_operational_statistic_quarter_ending_12_31_2011.pdf.

56. *See* Andrew S. Baluch & Stephen B. Maebius, The Surprising Efficacy of Inter Partes Reexaminations: An Analysis of the Factors Responsible for Its 73% Patent Kill Rate and How To Properly Defend Against It (2008), *available at* http://www.patentlyo.com/patent/law/baluchmaebius.pdf (observing that the cancellation of some or all claims of the contested patent is a successful outcome).

57. *See* Patent Reexamination Enhancement Act of 2001, H.R. 2231, 107th Cong. The bill also proposed to strike the uncodified fact estoppel enacted with the *inter partes* system, *see id.* sec. 2(d), and authorized the Director to conduct reexaminations based on § 112, other than best mode, *see id* sec. 2(a)(1). A technical-corrections bill also was passed by both the House and Senate in the 107th Congress that addressed certain issues in the *inter partes* and *ex parte* reexamination authorities. *See* Pub. L. No. 107-273, §§ 13105-13106, 116 Stat. 1758, 1900 (2002). Specifically, these corrections (1) clarified that a substantial new question of patentability could be established in a reexamination proceeding despite the fact that the patent or printed publication had been previously considered by the PTO, and (2) confirmed that third parties could initiate or participate in appeals from *inter partes* reexamination proceedings. *Id.*

58. *See* FTC, *supra* note 1, at 2.

> Because existing means for challenging questionable patents are inadequate, we recommend an administrative procedure for post-grant review and opposition that allows for meaningful challenges to patent validity short of federal court litigation. To be meaningful, the post-grant review should be allowed to address important patentability issues [including issues of novelty, nonobviousness, written description, enablement, and utility]. . . . An administrative patent judge should preside over the proceeding, which should allow cross-examination and carefully circumscribed discovery, and which should be subject to a time limit and the use of appropriate sanctions authority.[59]

Similarly, a panel of the National Resource Council of the National Academies concluded that a more robust "open-review" proceeding before the PTO should be established to permit challenges to patents.[60] The National Academies' proposal shared many similarities with the FTC's recommendations,[61] including that the proceeding be structured as a conventional adversarial proceeding before an administrative patent judge, that discovery be permitted, albeit in a more restricted form than is used in litigation, and that a broader range of validity issues be permitted to be raised than those based solely on patents or printed publications.

The PTO also entered the patent-reform debates in 2003, presenting an agenda of reform concepts that included a more robust post-grant invalidity proceeding.[62] The PTO's report identified a wide range of factors that could affect its ability to conduct a more rigorous invalidity proceeding, and it made recommendations ranging from the highly conceptual to the minute (e.g., timing of filings). Importantly, the PTO clearly advocated for the use of its interference model, in which parties file pleadings before a panel, rather than have an examiner lead the process.[63]

Not surprisingly, the public input on patent-law reform to the FTC, the Board on Science, Technology, and Economic Policy, and the PTO had many common themes. The first was the importance of not establishing a procedure

---

59. *Id.* at 8.

60. *See* National Academies Report, *supra* note 5, at 82.

61. The National Academies panel also proposed to cast the open-review process as an important vehicle for contesting validity. For example, they proposed that the "Federal District Courts should be able and encouraged to refer issues of patent validity raised in a lawsuit to an Open Review proceeding, confining themselves to resolving issues of infringement." *Id.* at 97.

62. *See* PTO, The 21st Century Strategic Plan 14 (2003), *available at* http://www.uspto.gov/web/offices/com/strat21/stratplan_03feb2003.pdf.

63. *See Post-Grant Review of Patent Claims*, U.S. Pat. & Trademark Off. (last modified Sept. 20, 2007, 1:11 PM EST), http://www.uspto.gov/web/offices/com/strat21/action/sr2.htm. The PTO's recommendations, inter alia, called for strict limits on discovery and presentation of evidence, a single oral hearing, and the use of motion practice to frame and resolve issues.

that would unfairly prejudice and burden patent owners by allowing multiple or serial challenges to a patent.[64] The second was the importance of allowing invalidity challenges based on all issues of patentability, including lack of written description, enablement, or utility.[65] A third theme was that patent owners were entitled to "quiet title" and, accordingly, that the proceedings should be made available only for a limited period after the grant of the patent.[66] Finally, each group heard concerns over the capacity of the PTO to handle a high volume of challenges in a timely fashion.[67] These themes would recur throughout the legislative process.

D. The Congressional Path to the New Invalidity Proceedings

In 2004, the House reentered the patent-reform debate by conducting a hearing on possible new post-grant invalidity proceedings.[68] The witnesses in this hearing supported many of the recommendations common to the PTO, National Academy of Sciences, and FTC reports, but they differed with respect

64. FTC, *supra* note 1, at 8 ("[T]he limited involvement of third parties in the issuance and reexamination of patents reflects genuine concern to protect patent applicants from harassment by competitors. This remains an important goal. To continue to protect against the possibility of competitors harrassing [sic] patent applicants, any new procedure should be available only after a patent issues."); National Academies Report, *supra* note 5, at 97; *Post-Grant Review of Patent Claims*, *supra* note 63.

65. *See, e.g.*, FTC, *supra* note 1, at 11 & n.26; National Academies Report, *supra* note 5, at 96-97.

66. *See* FTC, *supra* note 1, at 23-24; National Academies Report, *supra* note 5, at 95-97. The PTO's recommended approach was to allow challenges "within 12 months of the issuance of any claim challenged, except that after 12 months, a review petitioner may file a petition not later than 4 months after the review petitioner is placed in 'substantial apprehension' of being sued for infringement of the challenged patent claim." *Post-Grant Review of Patent Claims*, *supra* note 63. The PTO's approach sought to strike a balance between an unrestricted system and one that might have limited value in situations where the patent was asserted more than a year after it was granted.

67. FTC, *supra* note 1, at 10 ("Hearings participants unanimously held the view that the PTO does not receive sufficient funding for its responsibilities."); *id.* at 12 ("Participants in the Hearings unanimously expressed the view that the PTO lacks the funding necessary to address issues of patent quality."); National Academies Report, *supra* note 5, at 82 ("The current USPTO budget does not suffice to," inter alia, "administer an Open Review procedure.").

68. *Patent Quality Improvement: Post-Grant Opposition: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 108th Cong. (2004).

to areas such as when the proceedings could be initiated[69] or whether statutory estoppel should apply only to issues actually addressed during the proceeding rather than any that could have been raised.[70]

The 108th Congress then put the wheels into motion by introducing legislation to create a more robust post-grant-review proceeding. For example, the Patent Quality Assistance Act of 2004 (House Bill 5299)[71] proposed a system whereby challenges on any validity theory[72] could be made for nine months after the grant of a patent or within six months of the date that a party received a threat of infringement by the patent owner. The bill also would have permitted limited discovery, provided an oral hearing, and set a relatively low threshold for starting the proceeding (i.e., that the request not "lack substantial merit" in the view of the PTO Director).[73] Importantly, House Bill 5299 also would have significantly narrowed the estoppel effect relative to *inter partes* reexamination by barring future challenges to validity by the same requestor on "any issue of fact or law *actually decided and necessary* to the determination of that issue" in the proceeding.[74] Notably, the bill did not propose to abolish the existing *ex parte* or *inter partes* reexamination procedures, but to supplement them with this new way of contesting patent validity before the PTO.[75]

In the 109th Congress, the Senate and House each introduced patent-reform bills that included proposals to create post-grant-review, or "opposition," procedures.[76] House Bill 2795 proposed a post-grant-review system sim-

69. *See id.* at 38 (testimony of Karl Sun, Senior Patent Counsel, Google, Inc.) (proposing a one-year limit on challenges to patents, except where a patent owner threatens a third party with infringement); *id.* at 18 (statement of Jeffrey P. Kushan, on behalf of Genentech, Inc.) (proposing, inter alia, a one-year limit on challenges to patents on broader grounds than patents and printed publications); *id.* at 27 (statement of Michael K. Kirk, Exec. Dir., Am. Intellectual Prop. Law Ass'n) (proposing a nine-month window after grant of the patent during which a party may make a challenge on grounds other than patents and printed publications).

70. *See, e.g.*, *id.* at 10 (statement of James A. Toupin, General Counsel, PTO); *id.* at 17 (statement of Mr. Kushan); *id.* at 31, 32 (statement of Mr. Kirk); *id.* at 38 (statement of Mr. Sun).

71. Patent Quality Assistance Act of 2004, H.R. 5299, 108th Cong.

72. *Id.* Challenges could be raised on any issue of patentability other than noncompliance with the "best mode" requirement of 35 U.S.C. § 112, first paragraph, or anticipation/obviousness based on § 102(c), (d), (f), or (g).

73. *Id.*

74. *Id.* sec. 2, § 336 (emphasis added).

75. *Id.*

76. The House also distributed a "committee print" of a bill that was not introduced. The committee print would have, inter alia, required challenges to be brought within nine months after grant, without the consent of the patent owner; recast the standard for initiating an opposition as being a request that "the Director determine[] [that the challenge] lacks substantial merit;" expanded the scope of is-

ilar to House Bill 5299 from the 108th Congress, but it would have allowed a patent owner to stay a post-grant proceeding if the patent was asserted in litigation within the periods allowed for initiating post-grant review, among other changes.[77] Meanwhile, Senators Hatch and Leahy introduced Senate Bill 3818, which proposed to replace the *inter partes* reexamination system with a single post-grant-review procedure. Under this system, a patent could be challenged on any invalidity theory for twelve months after it was issued, as well as at any time during the life of the patent, if a request was filed by a person "who establishes a substantial reason to believe that the continued existence of the challenged claim causes or is likely to cause the petitioner significant economic harm."[78] Senate Bill 3818 also would have expressly provided that patents undergoing post-grant review do not enjoy a presumption of validity in the proceedings, and it would have set the threshold finding needed to start the proceeding to be that "the information presented provides sufficient grounds to proceed."[79] Senate Bill 3818, however, would have imposed a broader estoppel than the corresponding House proposal—namely, to all issues that were raised or could have been raised during the opposition.[80]

Progress toward enacting a more robust post-grant-review system, however, remained captive to the deadlock over the litigation-reform agenda of the patent-reform effort. Thus, while these bills in the 109th Congress framed and tested certain parameters of post-grant review, there was no serious movement to enact patent-reform legislation.

In the 110th Congress, efforts and negotiations resumed. Senator Leahy introduced Senate Bill 1145 which, like Senate Bill 3818 from the previous Congress, proposed to abolish the *inter partes* reexamination procedure and replace it with a new post-grant-review system.[81] In this iteration, third parties could challenge a patent on any issue that could be used to invalidate the patent in litigation (i.e., "on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)")[82] and, like Senate Bill 3818, imposed no standing requirements for the first twelve months

sues to include "double patenting and any of the requirements for patentability set forth in sections 101, 102, 103, and 112, and the fourth paragraph of section 251;" used a "preponderance of the evidence" standard for resolving disputes; and limited estoppel to issues actually addressed in the proceeding. STAFF OF H. COMM. ON THE JUDICIARY, 109TH CONG., PATENT ACT OF 2005 (Comm. Print 2005).

77. The Patent Act of 2005, H.R. 2795, 109th Cong.

78. *See* Patent Reform Act of 2006, S. 3818, 109th Cong. sec. 6, § 312(2).

79. *Id.*

80. *Id.*

81. Patent Reform Act of 2007, S. 1145, 110th Cong. sec. 5(b) (as reported by S. Comm. on the Judiciary, Jan. 24, 2008).

82. *Id.* sec. 5(c)(1), § 321.

after issuance or reissuance of the patent.[83] However, after that point, a party wishing to start a post-grant review of the patent would have had to show that it had been accused of infringement of the patent, and that the patent presented the party with "significant economic harm."[84] Senate Bill 1145 also would have narrowed the estoppel effect, using an "actually raised" estoppel standard comparable to that found in House Bill 2795 in the 109th Congress rather than a "could have raised" standard.[85]

Senator Kyl introduced a competing patent-reform bill (Senate Bill 3600) in the 110th Congress, which, like Senate Bill 1145, would have abolished the *inter partes* procedure and replaced it with a time-bifurcated post-grant-review procedure.[86] In contrast to Senate Bill 1145, the bifurcation would have focused on the types of issues that could be raised in the proceeding during the two different periods (i.e., before or after the ninth month following issue or reissue of the patent).[87] Thus, during the first period after issuance or reissuance of a patent, Senate Bill 3600 would have allowed challenges on any invalidity basis.[88] After that date, however, challenges would be limited to patentability issues raised by patents or printed publications.[89] The Kyl bill also would have required any challenger, whether during the first or second periods, to establish standing to challenge the patent; only a "person who has a substantial economic interest adverse to a patent" would be allowed to initiate a post-grant review.[90] The bill also included other "patent-owner friendly" measures including, inter alia, retention of the presumption of validity of the patent during the proceeding, a broader "could have raised" estoppel, a heightened standard of proof for

83. *Id.* sec. 5(c)(1), § 322.

84. *See id.* sec. 5(c)(1), § 322(2). Under § 322(1) of the bill, a petition to initiate post-grant review normally would have to be filed within twelve months of the issuance or reissuance of the patent. Petitions without the consent of the patent owner could have been filed more than twelve months after the issuance or reissuance of the patent only if "(A) the petitioner establishes in the petition a substantial reason to believe that the continued existence of the challenged claim in the petition causes or is likely to cause the petitioner significant economic harm; and (B) the petitioner files a petition not later than 12 months after receiving notice, explicitly or implicitly, that the patent holder alleges infringement." *Id.* sec. 5(c)(1), § 322(2)(A)-(B).

85. *Id.* at sec. 5(a), § 303(a). Senate Bill 1145 was later amended to include a "could have raised" standard.

86. *See* Patent Reform Act of 2008, S. 3600, 110th Cong. sec. 5(c) (2008).

87. *Id.*

88. *See id.* sec. 5(c), § 321(b)(1) (stating that invalidity grounds include "any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)").

89. *Id.* sec. 5(c), § 321(c)(1).

90. *Id.* sec. 5(c), § 321.

initiating the proceeding,[91] and provisions that prioritize litigation commenced by the patent owner over post-grant review initiated by a challenger (e.g., by requiring deferral of the post-grant review if the patent owner promptly asserts the patent after issuance, and by barring oppositions commenced more than three months after the challenger was sued under the patent).[92]

The next iteration of the House patent-reform bill, House Bill 1908,[93] proposed a post-grant-review system that fell between the ends of the spectrum defined in Senate Bills 1145 and 3600. Like both of the Senate bills in the 110th Congress, it proposed a date-bifurcated system for challenging patents. But it did so by retaining a revised *inter partes* reexamination proceeding for issues raised by patents and printed publications[94] and providing for a new post-grant-review proceeding in which parties may contest patents on any grounds for twelve months after the patent was granted.[95] The bill proposed that the new proceeding use the same "substantial question of patentability" standard used for reexamination, but expressly provided that the patent undergoing review would not enjoy a presumption of validity in the proceeding.[96]

91. To start a proceeding, Senate Bill 3600 would have required the PTO Director to determine that the evidence presented by the challenger, "if such information is not rebutted, would provide a sufficient basis to conclude that at least 1 of the claims challenged in the petition is unpatentable." *Id.* § 327. This standard mirrors the so-called "prima facie" standard used by the PTO during *ex parte* examinations. Under this standard, the PTO will reject a claim as not defining a patentable invention based on various categories of defined evidence, and will refuse to consider possible rebuttal evidence that may be presented by the patent applicant, after a prima facie case of unpatentability has been made. *See, e.g.*, PTO, MANUAL OF PATENT EXAMINING PROCEDURE § 2142 (2007) (describing prima facie obviousness).

92. *See, e.g.*, S. 3600 sec. 5(c), 110th Cong. (2007).

93. H.R. 1908, 110th Cong. (2007).

94. House Bill 1908 would have recast the *inter partes* reexamination system, inter alia, by (1) allowing the PTO to conduct the proceedings before an administrative patent judge using an examiner-led process, *id.* sec. 6(c)(1), § 314(a); (2) providing a sixty-day (instead of thirty-day) response period for third parties, *id.* sec. 6(c)(2), § 314(b)(2); (3) providing an oral hearing, *id.* sec. 6(c)(3), § 314(d); and (4) limiting the estoppel effect of an unsuccessful *inter partes* reexamination to only those issues actually raised in the proceeding, *id.* sec. 6(d), § 315(c).

95. *See id.* sec. 6(f), § 321.

96. The presumption of validity under 35 U.S.C. § 282 is a procedural instrument that imposes the burden of proof on the party challenging the patent. In litigation, the party contesting validity must establish that the patent is invalid by clear and convincing evidence. *See* i4i Ltd. P'ship v. Microsoft Corp., 131 S. Ct. 2238, 2247 (2011) ("According to its settled meaning, a defendant raising an invalidity defense bore 'a heavy burden of persuasion,' requiring proof of the defense by clear and convincing evidence. That is, the presumption encompassed not only an allocation of the burden of proof but also an imposition of a heightened standard of proof.

House Bill 1908 also had measures designed to regulate the conduct of parties who tried to use both post-grant review and litigation to contest the validity of a patent. First, it would have allowed the Director to stay the post-grant proceeding if the patent were the subject of a pending civil action for infringement that "addresses the same or substantially the same questions of patentability."[97] Second, it would have prohibited an unsuccessful post-grant challenger from starting subsequent invalidity challenges before the PTO or a court on "any ground that the cancellation petitioner raised during the post-grant-review proceeding."[98] Third, if a party were to challenge unsuccessfully the validity of any claim in the patent in a prior litigation, that party "and its privies" would not have been able to start any post-grant review. Moreover, the Director, upon issuance of a final decision in that litigation, would have been required to terminate any pending post-grant review initiated by that party or its privies on "the basis of any grounds . . . which that party . . . raised or could have raised."[99]

The 110th Congress adjourned without resolution of the patent-reform impasse. However, the legislative volleys did help to identify potentially viable elements of a post-grant-review system. Thus, in the 111th Congress, bills reflecting more coordination between the House and Senate—at least on the issue of post-grant review—were introduced. House Bill 1260 presented substantially the same approach as House Bill 1908, with two significant changes.[100] First, the new bill included a provision giving the PTO discretion to stay a cancellation proceeding if "the same or substantially the same" issue was the subject of an ongoing civil action by any party.[101] Second, it added a provision making explicit the right of the patent owner to commence an action for infringement notwithstanding the commencement or pendency of a cancellation proceeding.[102] The Senate followed the path set by the House and introduced a nearly identical version of the post-grant system in Senate Bill 515, the Patent Reform Act of 2009.[103] Still, broader patent reform remained stalled, as did movement on this coordinated effort to establish a more robust post-grant-review system.

Under the general rule that a common-law term comes with its common-law meaning, we cannot conclude that Congress intended to 'drop' the heightened standard proof from the presumption simply because § 282 fails to reiterate it expressly." (citation omitted)).

97. *See* H.R. 1908 sec. 6(f), § 333(b).

98. *See id.* sec. 6(f), § 335(4).

99. *See id.* sec. 6(f), § 335(1).

100. Patent Reform Act of 2009, H.R. 1260, 111th Cong.

101. *Id.* sec. 6(h)(1), § 333(b).

102. *Id.* sec. 6(h)(1), § 333(c).

103. S. 515, 111th Cong (2009). In the 111th Congress, Senator Kyl also introduced Senate Bill 610, which proposed a post-grant-review system very similar to what had been proposed in the previous Congress's Senate Bill 3600. *See* S. 3600, 110th

The 112th Congress began with a very pragmatic focus, reflecting a recognition by congressional leadership that the legislation would have to be scaled back substantially to enable its passage. The Senate acted first, introducing the America Invents Act (Senate Bill 23),[104] which presented a modest patent-reform agenda compared to past bills. Missing from this bill were the aggressive proposals on patent damages, venue, and other litigation-centric measures that had caused deadlocks in prior Congresses.[105]

Senate Bill 23 also presented an evolved formulation of post-grant review that would define the core structure of the new post-grant-review and *inter partes* procedures ultimately enacted in the AIA.[106] This bill had the following elements: (1) It employed a time-bifurcated system, allowing any patentability challenge for nine months, and limiting challenges after that date to issues raised by patents and printed publications;[107] (2) it cast both *inter partes* and post-grant-review procedures as conventional adversarial proceedings before the PTO Trial and Appeal Board;[108] (3) it incorporated measures to coordinate post-grant proceedings with litigation involving the patent;[109] and (4) it imposed broader estoppel provisions against the relitigation of issues that were or could have been raised in either proceeding.[110] After passage of Senate Bill 23, the House introduced the Senate-passed legislation as House Bill 1249 and promptly took action.[111] The changes to the post-grant systems made by the House were relatively modest, with most of the changes clarifying measures that had been incorporated in the Senate bill.[112]

For the first time in nearly seven years, the version of the patent-reform bill reported to the House floor presented a set of reform proposals that was acceptable to the diverse interests that made up the patent-reform community. The House and Senate acted in rapid progression, passing the legislation based

Cong. (2008); 155 Cong. Rec. S3166-75 (daily ed. Mar. 17, 2009) (statement of Sen. Kyl).

104. S. 23, 112th Cong. (2011).

105. *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir. Bar J. 435, 442-45 (2011). Most of these deletions had been implemented during markup of Senate Bill 1260 in the Senate Judiciary Committee, and the last were implemented by floor amendment on March 1, 2011. *Id.* at 442.

106. S. 23 sec. 5 (as introduced Jan. 25, 2011).

107. *See id.* sec. 5(a), § 311(b)-(c); *id.* sec. 5(d), § 321(b)-(c).

108. *See id.* sec. 5(a), § 316; *id.* sec. 5(d), § 326.

109. *See id.* sec. 5(a), § 315(a)-(b); *id.* sec. 5(d), § 325(a)-(b), (f).

110. *See id.* sec. 5(a), § 315(e); *id.* sec. 5(d), § 325(e).

111. America Invents Act, H.R. 1249, 112th Cong. (as introduced Mar. 30, 2011). The House passed the bill on June 23, 2011. 157 Cong. Rec. H4505 (daily ed. June 23, 2011).

112. *See* Matal, *supra* note 105, at 445-56.

on House Bill 1249 on June 23, 2011,[113] and September 8, 2011, respectively.[114] President Obama signed the act into law on September 16, 2011.[115] Thus, after nearly nineteen years of public debate over its merits, a new system for challenging patent validity through an administrative proceeding before the PTO has become law.

III. Navigating the New Post-Grant Invalidity Regime

The new post-grant and *inter partes* review procedures, consistent with themes heard over and again in the public debates, are carefully bounded schemes for contesting patent validity. Each procedure is governed by strict limits on the issues that can be contested as well as when the issues can be raised, the presentation of evidence, and the way in which the proceeding will be conducted. This Part provides a digest of these procedures.

A. Which Patents Can Be Contested in Each Pathway?

The post-grant-review system established by the AIA creates two pathways for contesting patents. The first, post-grant review, is available only during the nine-month period following the grant or reissue of the patent. During this period, any issue of patentability that could be raised in litigation may be used to challenge the patent.[116] The second, *inter partes* review, is available only after nine months have elapsed since the patent was issued or reissued.[117] The grounds that may be asserted in *inter partes* review are limited to validity issues raised by patents or printed publications.[118]

---

113. 157 Cong. Rec. H4505 (daily ed. June 23, 2011).

114. 157 Cong. Rec. S5442 (daily ed. Sept. 8, 2011).

115. AIA, Pub. L. No. 112-29, 125 Stat. 284 (2011). The Act provides that the new *inter partes* review system will take effect on September 16, 2012, *id.* sec. 6(c)(2)(A), while the new post-grant-review system will take effect eighteen months after enactment but can be used only for patents issued under the new first-inventor-to-file system, *id.* sec. 6(f)(2)(A).

116. Challenges based on a failure to disclose the "best mode" under the first paragraph of 35 U.S.C. § 112 are not permitted in light of section 15 of the AIA, which provides that the "failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable." AIA sec. 15(a) (to be codified at 35 U.S.C. § 282).

117. Notably, any patent in force when the *inter partes* system takes effect on September 16, 2012, can be challenged. *See* AIA sec. 6(c)(2)(A) ("The amendments made by subsection (a) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued before, on, or after that effective date.").

118. Only patents issuing from applications filed under the new first-inventor-to-file standard can be contested in post-grant review. Specifically, section 3(n)(1) of the

Both proceedings preclude certain parties from initiating challenges to a patent. First, neither the challenger ("petitioner") nor the challenger's real party in interest[119] can start a post-grant or *inter partes* review if that entity previously contested the validity of the patent in civil litigation.[120] Second, a petitioner, its real party in interest, or a party in privity with the petitioner cannot start a proceeding more than one year after it was served with a complaint for infringement.[121] Third, a petitioner, its real party in interest, or a party in privity with the petitioner who has unsuccessfully challenged the validity of a patent claim in a contested proceeding before the PTO may not start another post-grant or *inter partes* review proceeding to challenge that claim on any invalidity basis that was or reasonably could have been raised in the earlier proceeding.[122]

AIA provides that the post-grant system can be used to contest any patent granted on an application originally filed on or after March 16, 2013 (eighteen months after the date of enactment). Given that it will take the PTO a minimum of nine to twelve months to examine an original application filed after March of 2013, the first post-grant proceedings will likely not occur before the end of 2013.

119. In order for the estoppel provisions to be meaningful, the law requires identification of the entity that is behind the challenge to the patent. The law does this by extending the estoppel not only to the individual who filed the petition seeking to initiate the proceeding, which typically is a law firm, but also to the party that is responsible for initiating the proceeding (e.g., the company for whom the individual who filed the petition is acting). *See* 35 U.S.C.A. §§ 315, 325 (West 2001 & Supp. 2012).

120. *See id.* §§ 315(a)(1), 325(a)(1). Importantly, the law clarifies that the filing of a counterclaim of invalidity in an action commenced by the patent owner "does not constitute a civil action challenging the validity of a claim of a patent." *Id.* §§ 315(a)(3), § 325(a)(3).

121. *Id.* §§ 315(e)(2), 325(e)(1). It is not clear what parties are captured by the term "privity" relative to those within the term "real party in interest." The latter term is used in, for example, § 312(a)(2), which requires disclosure of the "real parties in interest" of the petitioner. *Id.* § 312(a)(2). Presumably, because it uses different terms, Congress intended to differentiate the two groups. The legislative history, however, provides little insight into the scope of this privity question. *See* H.R. REP. NO. 112-98, pt. 1, at 48 (2011) ("In utilizing the post-grant review process, petitioners, real parties in interest, and their privies are precluded from improperly mounting multiple challenges to a patent or initiating challenges after filing a civil action challenging the validity [of] a claim in the patent. Further, a final decision in a post-grant review process will prevent the petitioner, a real party in interest, or its privy from challenging any patent claim on a ground that was raised in the post-grant review process.").

122. This is the consequence of two different estoppel provisions. First, the estoppel provided by § 325(e)(1) prohibits the petitioner or its real party in interest from requesting or maintaining "a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review." 35 U.S.C.A. § 325(e)(1). This prohibition extends to subsequent post-grant review, *inter partes* review, or derivation proceedings.

B. Concurrent Litigation and PTO Proceedings

The post-grant and *inter partes* review systems impose further restrictions on initiating or maintaining proceedings for patents that also are the subject of concurrent litigation. Specifically, both systems require courts to stay any civil action commenced by a challenger (i.e., a petitioner or its real party in interest) on or after the date that a petition for post-grant or *inter partes* review is filed by that party.[123] This stay of the civil litigation will remain in effect until the patent owner moves to lift the stay, the patent owner files a civil action or counterclaim alleging infringement by the petitioner or real party in interest, or the petitioner or the real party in interest moves the court to dismiss the civil action.[124] The law thus prohibits concurrent challenges before the PTO and a court when both are initiated by the same challenger unless the patent owner wishes to allow the challenges to proceed in each forum.

C. A Brief Overview of the Process

The post-grant review and *inter partes* proceedings share a highly similar procedural structure with a common set of defined events and a common sequence of briefing, discovery, argument, decision, and appeal.[125]

1. Initiation

Both proceedings start with the filing of a petition by the challenger. The petition must identify, "in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence

---

Second, § 315(e)(1) prohibits the petitioner or its real party in interest from commencing a second or subsequent *inter partes* review proceeding to contest a patent claim that was the subject of an earlier proceeding "on any ground that the petitioner raised or reasonably could have raised during that inter partes review." *Id.* § 315(e)(1). Since *inter partes* review cannot be commenced until after the period for commencing post-grant review has closed, logically there is no reference to post-grant review procedures. Similarly, since a derivation proceeding can only be commenced within one year of the first publication of a claim (e.g., in a pending application), the timing would seem to foreclose the possibility of a derivation proceeding commencing after the completion of an *inter partes* review proceeding.

123. *See* §§ 315(a)(2), 325(a)(2).

124. *Id.*

125. In its rulemaking, the PTO has proposed a common set of rules governing procedures for both post-grant and *inter partes* review. *See* Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879, 6880 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. pts. 42, 90).

that supports the grounds for the challenge to each claim."[126] In setting forth the arguments of unpatentability, the petitioner will be required to explain how the claims are to be construed.[127] This can raise important tactical questions if the patent is in litigation, as the comments of the challenger may be portrayed as admissions as to what the claims do or do not cover.[128] Moreover, the PTO will apply a different standard to the claims than that used by district courts in litigation; specifically, the PTO will construe the claims using the "broadest reasonable construction in light of the specification in which it appears."[129] The petition must also provide evidence to support the challenge(s) (e.g., prior art, affaffidavits or declarations with supporting evidence,[130] and expert opinions relied upon by the petitioner).[131] The petition must also identify the real party in interest, be accompanied by a fee, and be served on the patent owner.[132] The patent owner is given one opportunity to respond before the PTO decides whether to initiate the proceeding; a response, however, is not mandatory.[133] The patent

126. *See* 35 U.S.C.A §§ 312(a)(3), 322(a)(3).

127. *See* Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7064 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42.204(b)).

128. *See id.* at 7059.

129. *See, e.g.*, *id.* at 7044 (to be codified at 37 C.F.R. § 42.100(b)); *id.* at 7064 (to be codified at 37 C.F.R. § 42.200(b)); *see also, e.g.*, *In re* Yamamoto, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (upholding the PTO's use of the "broadest reasonable construction" standard during a reexamination proceeding due to the ability of the patent owner to amend claims to capture purported definitions of the claim language). Despite this, one can expect that disputes over the meaning of key claim terms will be a significant issue during the proceedings.

130. In post-grant review, but not *inter partes* review, the prior art may include evidence of public use of the invention or other forms of nondocumentary evidence. *Compare* 35 U.S.C.A. § 321(b) ("A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)."), *with id.* § 311(b) ("A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications."). For these types of pleadings, declarations will be necessary to document and authenticate both the content and public availability of the evidence. *See* Rules of Practice for Trials, 77 Fed. Reg. 6879, 6912 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. §§ 42.62, 42.63(a)).

131. Rules of Practice for Trials, 77 Fed. Reg. at 6909 (to be codified at 37 C.F.R. § 42.22(c)).

132. *Id.* at 6908 (to be codified at 37 C.F.R. pt. 42).

133. *See* 35 U.S.C.A. §§ 313, 323.

owner may also statutorily disclaim individual claims, which forecloses review of those claims.[134]

The PTO must then evaluate the petition and any response to it by the patent owner within three months of receiving the patent owner's response or, if no response is filed by the patent owner, by the deadline for receiving that response.[135] The PTO must assess post-grant and *inter partes* review petitions using different standards.[136] In *inter partes* reviews, the Director must find that "the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1" of the challenged claims.[137] By contrast, the PTO cannot start a post-grant review unless "the Director determines that the information presented in the petition . . . , if not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable."[138] Each of the standards incorporates some amount of subjectivity, and the way in which the PTO will apply those standards cannot be readily predicted at this point.

If the PTO determines that a review is warranted, it will issue an order that identifies the claims that will be addressed in the proceeding and, for each claim, the particular issue(s) of invalidity that may be contested in the proceeding.[139] In this respect, the initiation of review will resemble initiation of an inter-

134. *See id.* § 253(a); Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7065, 7080 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42.207(e)).

135. The law specifies no explicit deadline for the patent-owner response, which theoretically could mean that the PTO could wait to initiate a proceeding indefinitely. *See* 35 U.S.C.A. §§ 313, 323. The PTO, however, has proposed a two-month deadline in its proposed rules. Changes To Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041, 7059 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42.107(b)). In addition, the PTO begins this two-month period on the date that it has received a "complete" petition—one that includes all required elements and is in the form specified by its rules. *Id.* (to be codified at 37 C.F.R. § 42.106).

136. The reason that two standards were implemented was not explained in the legislative history of the AIA. However, concerns over the legitimacy and ripeness of the evidence of challenges other than those based on patents and printed publications have been present since the beginning of the debates on reforming reexamination. In particular, concerns have been cited over testimonial evidence (e.g., about public use of the invention) and scientific data or other evidence generated long after the patent was filed (e.g., to challenge the patent under § 101 or § 112). By prohibiting challenges on these grounds after nine months from the date of issue, and by using a higher standard for initiating review on these grounds, the law responds to these concerns.

137. 35 U.S.C.A. § 314(a).

138. *Id.*

139. Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879, 6904 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. pts. 42, 90).

ference, in which the issues that may be addressed are carefully circumscribed by the Administrative Patent Judge early in the proceeding and rarely changed.[140] The order establishing the proceeding is an important constraint on the proceeding—issues not identified in the original order cannot be raised unless good cause is demonstrated during the proceeding, a standard that, under interference practice, can be difficult to meet. Moreover, these constraints on the issues that may be raised can be used by the parties to restrict the scope of discovery permitted in the proceeding.

2. Discovery and Trial

Once initiated, the PTO has twelve months to conclude its review, which can be extended to eighteen months in certain situations.[141] The speed of the review was an important issue during the legislative debates, and the PTO appears to be taking this requirement seriously. The speed, however, means that parties must be ready to promptly engage in the process. It also means that the options for developing the record after the major pleadings have been filed will be strictly limited.

Generally speaking, the discovery that will be allowed will be limited to the evidence that each party puts into the proceeding (i.e., exhibits to the pleadings) and to witnesses who put forth testimony on behalf of each party.[142] Based on experiences gained in interference proceedings, one can expect that, in the typical case, the focus of discovery will be on reports filed by expert witnesses for each side. In addition, fact witnesses may present testimony, such as to establish the public availability of a "printed publication" or to describe previously conducted experiments, and these witnesses may also present their findings by written reports.[143] Any witness presenting testimony will be subject to

140. *See* Suggesting an Interference, 37 C.F.R. § 41.202 (2012).

141. *Id.*

142. For example, the PTO has differentiated between routine discovery, which requires no prior authorization from the panel, and other forms of discovery, which may be pursued only by first filing a motion and receiving authorization. *See* Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868, 6871 (Feb. 9, 2012). Routine discovery consists of "(1) [p]roduction of any exhibit cited in a paper or testimony, (2) the cross-examination of the other sides declarant, and (3) information that is inconsistent with a position advanced during the proceeding." *Id.* Other forms of discovery requiring authorization include, for example, the compelled testimony of a fact witness or evidence not addressed in an exhibit filed by a party. Such discovery will be authorized if it serves the interests of justice—a standard that gives the panel a fair amount of discretion based on the circumstances and the stage of the proceeding being administered.

143. *Id.* at 6872 ("The Board expects that most petitions and motions will rely upon affidavits of experts.").

cross-examination via deposition,[144] and witnesses will not be able to offer live testimony at trial except in rare circumstances.[145]

The PTO's decision will be based on a briefing of the issues consisting of (1) the initial petition filed by the challenger; (2) the response, if any, of the patent owner before initiation of the proceeding; (3) the opposition of the patent owner filed during the proceeding; and (4) a reply to the opposition filed by the petitioner.[146] Additionally, the patent owner may seek to amend the claims, which can be opposed by the challenger.[147] Once briefing is complete, the Board will hold a single oral hearing.[148] Evidentiary disputes will also be permitted to some degree, which will be briefed and typically decided on written pleadings without oral argument.[149]

3. Conclusion of the Proceeding

A post-grant or *inter partes* review proceeding can end in one of two ways. First, the Board can render a written decision that finds claims addressed in the proceeding patentable or unpatentable.[150] Each claim contested in a proceeding will be addressed in the written decision; those held unpatentable will be canceled from the patent, and any new or amended claims accepted by the panel will be issued as an amendment to the patent.[151] Second, the parties may settle

144. *Id.* at 6871 (indicating that cross-examination of a party's declarant constitutes regular discovery requiring no prior authorization of the Board).

145. Rules of Practice for Trials, 77 Fed. Reg. at 6910-11 (to be codified at 37 C.F.R. § 42.53(a)) ("Uncompelled direct testimony must be submitted in the form of an affidavit. All other testimony, including testimony compelled under 35 U.S.C. 24, must be in the form of a deposition transcript."). The Board may elect to observe the examination of a witness in a deposition, as it infrequently does in interference proceedings. *See* Practice Guide for Proposed Trial Rules, 77 Fed. Reg. at 6871-72 ("Cross-examination may be ordered to take place in the presence of an administrative patent judge. Occasionally, the Board will require live testimony where the Board considers the demeanor of a witness critical to assessing credibility.").

146. *See* Practice Guide for Proposed Trial Rules, 77 Fed. Reg. at 6869 ("General Overview").

147. *See* 35 U.S.C.A. §§ 316(a)(9), (d), 326(a)(9), (d) (West 2001 & Supp. 2012).

148. *See id.* §§ 316(a)(10), 326(a)(10); *see also* Practice Guide for Proposed Trial Rules, 77 Fed. Reg. at 6869 ("After all motions have been filed, the parties will be afforded an opportunity to have an oral argument at the Board.").

149. Practice Guide for Proposed Trial Rules, 77 Fed. Reg. at 6869 ("Both parties will be permitted an opportunity to file motions to exclude an opponent's evidence believed to be inadmissible.").

150. *See* 35 U.S.C.A. §§ 318(a), 328(a).

151. *See id.* §§ 318(b), 328(b).

their dispute and seek to terminate the proceeding without a written decision.[152] Termination, however, is not assured, as the issues raised in the proceeding may prompt the PTO to conclude that the claims before it are not patentable.[153] The written decision of the Board may be appealed directly to the U.S. Court of Appeals for the Federal Circuit.[154]

Importantly, the written decision terminating the proceeding serves as the point of attachment of estoppel.[155] Thus, the law creates a slight incentive for the parties to settle their dispute prior to the date on which the Board issues its written decision, which will be identified in the scheduling order issued at the start of each proceeding.[156] The strict adherence by the Board to the schedule will provide clear notice to the parties as to when this window of opportunity will close.

D. Which Forum: District Court or the PTO?

By its design, the new system forces potential challengers to make a choice: either initiate a PTO proceeding or wait until a conflict over the patent is ripe for litigation. The decision is not a simple one. Most significantly, procedures used in litigation to exhaustively develop and present evidence will not be available in the PTO. The PTO proceedings, for example, will limit discovery to issues raised by each party in their briefing, by the opinions of experts, or by fact witnesses that present testimony. Contrary positions taken in the internal records of a company challenging the patent generally will not be discoverable or considered in a PTO proceeding. Similarly, in the typical case, the PTO will not hear live testimony from witnesses, nor will it use a lay jury to assess disputed scientific facts—the fact finder will be a panel of judges with relevant technical training who will evaluate written pleadings and documentary evidence. Thus, the "advantage" of using a fact finder with a limited ability to decipher complex scientific principles, but perhaps more empathy to the overall story that a party may have to tell, will be missing in the PTO proceedings.

152. *See id.* §§ 317(a), 327(a).

153. The statute permits the PTO to proceed to a written decision on the claims contested in the proceeding despite a settlement of the dispute by the parties. *See id.* §§ 317(a), 327(a).

154. *See id.* §§ 319, 329.

155. *See, e.g.*, *id.* §§ 315(e); 325(e).

156. *See* Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868, 6869 (Feb. 9, 2012) ("The Board will enter a Scheduling Order . . . concurrent with the decision to institute the proceeding. The Scheduling Order will set due dates for the proceeding taking into account the complexity of the proceeding but ensuring that the trial is completed within one year of institution.").

The PTO proceedings also will be far more structured. As enacted, the PTO is given one year from the date it establishes a proceeding to complete it.[157] To meet this deadline, the PTO must strictly limit and regulate the way in which issues, arguments, and evidence can be presented to it[158]—a late presentation of a disruptive new issue or evidence that could have been presented earlier will not be tolerated in the PTO proceedings. This, in turn, forces the parties to streamline the presentation of their respective cases in the proceeding. Again, while there are practical limits to the presentation of evidence and arguments in litigation, there is more latitude in litigation to develop and refine one's case before going to trial, and to weave invalidity issues into a broader storyline related to the conduct of a party that may prove persuasive to a lay judge or jury.

Plainly, the new PTO proceedings will not be the right forum to contest validity in many cases. Most notably, invalidity challenges other than those based on patents and printed publications cannot be raised more than nine months after the patent was issued. Thus, a party first accused of infringement years after the patent issues will not be able to challenge the patent in the PTO due to a lack of enablement, insufficient written description, or lack of utility.[159] Similarly, challenges based on prior public use or knowledge of the invention will be prohibited at that point as well.[160]

The character of the dispute also will dictate whether the PTO proceedings are appropriate. For example, a case that involves putative misconduct by the patent owner may prove more suitable for district-court litigation than a proceeding before the PTO, as the opportunity to overlay the proceeding with a "bad actor" storyline will be limited or non-existent. Similarly, if live testimony of witnesses is key to the invalidity story, the PTO may prove unsuitable given its emphasis on documentary evidence, depositions, and written pleadings.[161] Even in situations in which a challenge could viably be brought in either forum, the PTO forum may prove less desirable for intangible reasons, given the significant procedural and evidentiary constraints it will impose.

Finally, the nature of the dispute between the parties will also be important. It will define the risk that a party may face from the estoppel against further invalidity challenges that the law imposes on an unsuccessful challenger. For ex-

157. The Director may extend the proceedings by six months in situations "for good cause shown" or if multiple proceedings are merged. *See* 35 U.S.C.A. §§ 316(a)(11), 326(a)(11).

158. Indeed, the proposed rules to implement both post-grant and *inter partes* review impose strict page limits on pleadings and carefully regulate the presentation of additional arguments or evidence. *See* Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879, 6910 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. § 42.24).

159. 35 U.S.C.A. § 311(b).

160. *Id.*

161. *See supra* note 145.

ample, in situations in which future litigation involving the patent will be unlikely, the estoppel will present only a limited risk. However, if there is ongoing and evolving conduct that is being targeted by the patent owner as infringing, or if many different products of a challenger are being targeted by the patent, estoppel may be a significant factor weighing against use of the PTO proceeding. Thus, the context of the dispute between the parties is a critical initial assessment before considering post-grant or *inter partes* review.

Conclusion

The new procedures for contesting patent validity before the PTO, despite years of public debate over their features, follow a mold set nearly nineteen years ago. Both are highly constrained procedures that strictly limit the issues that can be raised and require the challenger to choose between these procedures and litigation to contest patent validity. As enacted, the procedures appear to capture the essential balance reflected in the public debates—they will allow a far more robust opportunity to challenge the validity of patents, but will also include important safeguards that will prevent abuse of the legitimate interests of the patent owner.

Unquestionably, the new procedures introduce an intriguing new variable in patent litigation. The fact that invalidity proceedings can be initiated before litigation begins (and even before there is jurisdiction to litigate the patent) will create a new dynamic in the dialogue between patent owners and accused infringers before there is litigation. Similarly, commencing an invalidity proceeding at the beginning of litigation will offer significant strategic benefits for the patent challenger. For example, the proceedings compel a patent owner to state its position on what the claims do or do not cover far earlier than would be required in litigation. Those statements in the PTO proceeding will plainly shape both claim construction and validity issues in the litigation. The new procedures also create new options for facilitating patent licensing. For example, the new procedures can be used to resolve questions over patent validity that have caused parties to reach an impasse over the licensing of a patent, without having to engage in patent litigation to resolve the uncertainty over validity.

Obviously, the question of whether the new procedures will live up to their potential will turn on the capacity of the PTO to conduct the proceedings in a manner that patent challengers and patent owners believe is fair and effective. If the proceedings are perceived to be skewed in favor of patent owners, they will not attract usage significantly greater than existing *inter partes* and *ex parte* reexamination procedures. Conversely, if the proceedings enable patent challengers to invalidate patents with undue facility, the use of the proceedings will skyrocket and overwhelm the capacity of the PTO to conduct the proceedings in a timely manner. Thus, the next few years will prove critical to the success of the new procedures.