UNITED STATES PATENT AND TRADEMARK OFFICE

ROUND TABLE MEETING

"THE EQUITIES OF INTER PARTES REEXAMINATION PROCEEDINGS"

Tuesday, February 17, 2004

9:45 a.m.

2121 Crystal Drive
Crystal Park 2, Room 200
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P R O C E E D I N G S

MR. KATOPIS: Good morning. Before we start, I want to introduce myself. I'm Chris Katopis. I'm the Director of Congressional Relations for the USPTO, and I'd like to introduce someone who really needs no introduction. Jon W. Dudas is the Acting Under Secretary and Director of the PTO.

MR. DUDAS: Nice to see everybody. There may be some of you out there saying, "Who is that guy?" thinking maybe he does need an introduction. I appreciate all of you being here today. This is a very important event for the PTO. We are very excited about what you're doing today and excited that you are all here with us to share your thoughts.

As you know, this is a round table meeting on Inter Partes Reexamination. On behalf of Commerce Secretary Don Evans and the entire Administration, I want to welcome all of you.

The Administration is very proud of the blueprint that we have developed for the Patent and Trademark Office in the 21st Century Strategic Plan. Those of you who are following Congress and who are following the Office know that there's been a lot of activity lately on this plan.

Our plan is predicated on three principles: first and foremost, improving quality. The USPTO is trying to ensure that we have quality infused in every element of our office, at every step of our processes; second, trying to stabilize pendency and improve productivity; and third, achieving more efficiency through electronic government and electronic processing.

The reexamination process is an important check on patent quality and an important part of our Strategic Plan as we go forward.

As you know, Congress established inter partes procedures when it enacted the AIPA in 1999 after a hard-fought--and those of you who were around know how hard-fought it was--and thoughtful deliberation. The process was refined and, we believe, improved through two legislative amendments enacted in 2002. And, as with ex parte reexamination, originally established by Congress almost 25 years ago, inter partes procedures are intended to serve as an expedited and less costly alternative to patent litigation in reviewing certain aspects of patent quality.

Congress directed us to take a look at how

inter partes law is working in practice, its impact, and to file a report within five years after the enactment of the AIPA. Specifically, Congress wanted us to take a close look whether inter partes reexamination proceedings are inequitable to any of the parties in interest, and if so, to identify any changes we might recommend to remedy those inequities.

As a former Hill staffer, I am personally sensitive in making sure that we are always providing Congress with meaningful and responsive information in these reports. Therefore, I am asking everyone at the PTO to take this process very seriously. I appreciate all of you being here. You are obviously taking it very seriously by taking the time to be with us. I particularly want to thank our panelists.

We are fortunate to have with us today very distinguished panels of patent professionals who will participate in this exchange of views and thoughts on our current procedures on inter partes reexamination as well as possible options for the future. We all want to continue to improve the system for all players in the system, including inventors, small businesses, and the public at large.

I want to tell you that this is a

particularly important time. This meeting was already scheduled before we saw the activity on the bill that supports our Strategic Plan, but I think this meeting is particularly important in light of the movement of the bill on the Hill. A number of the players who have concerns about the patent system or have concerns about how the Patent and Trademark Office operates are going to be particularly interested in this topic.

So I again thank you for being here. Thanks, Chris.

MR. KATOPIS: Thank you very much, and to briefly amplify on Jon's comment, I want to make some brief remarks.

When Congress originally established ex parte reexamination in 1980, there were three principles it was trying to accomplish: first, to settle validity disputes more quickly and less expensively than litigation; second, to allow courts to refer patent validity questions to agencies with expertise in both patent law and technology; and, third, to reinforce investor confidence in the certainty of patent rights by affording opportunities to review patents of doubtful quality.

As we proceed today with this round table, I

just want to mention something about the format. We wanted to choose a format that would allow for a robust exchange of views among a diverse group of people representing the bar, inventors, and the public. We opened it up for submissions. We are pleased that we got an enormous interest in this. We have broken it down into several panels, which will be moderated by two people who also probably need no introduction: Steve Kunin, who is the Deputy Commissioner for Patent Examination Policy, and James Toupin, our General Counsel.

Everyone who wished to submit a submission in writing, will have that made a part of the record that we consider for the report that will be sent to Congress. And we are pleased that we're able to have a diverse number of people from the public on the panels. However, we regret that we were not able to accommodate everyone who wanted to participate. However, their submissions in writing will be considered as we prepare the report. I wanted to emphasize that.

I'd also like to take a moment to acknowledge two PTO personnel who made invaluable contributions to setting up today, people you may or may not know:

Talis Dzenitis and Lisa Malvaso from the Office of External Affairs. I am very grateful for their contributions.

The way we're going to proceed is that each panel session will be approximately 45 minutes. We're going to permit about a three-minute opening statement from each member of the panel. Of course, the entire written statements will be made part of the record. And we've also provided blue cards, the proverbial blue cards, for people that want to give the moderators a question for the panel. We'll take a break after this panel, and then we'll reconvene around 11:00 for the next panel. And with that said, I'm going to briefly introduce the members of Panel 1.

Michele Cimbala is a director with the biotechnology group at Sterne, Kessler, Goldstein & Fox in Washington. Her patent practice emphasizes biotechnology-based inventions.

Collin Webb is patent counsel for CNH America and is the Chair of the ABA's Subcommittee for Patent Reexamination and Opposition. He is also a former patent examiner.

Brad Lytle is a partner with Oblon, Spivak, McClelland, Maier & Neustadt in the firm's

Electrical/Mechanical Department, and is a member of the firm's Board of Directors.

Beth Weimar is of counsel in the intellectual property practice of Morgan, Lewis & Bockius in Washington, concentrating in patent practice in the life sciences and chemical fields. She was an administrative patent judge on the Board of Patent Appeals and Interferences at the USPTO and is a veteran of the patent corps.

Lance Johnson is a partner in Roylance, Abrams, Berdo and Goodman firm in Washington, D.C. He handles a wide range of IP issues. He was also counsel of record for the first filed inter partes reexamination, filed on behalf of a small entity requester, which I understand resulted in a patent cancellation. He is also a former patent examiner.

And last, but by no means least, Miles Dearth is senior patent counsel for the Lord Corporation headquartered in Research Triangle, North Carolina. Mr. Dearth is an experienced IP practitioner and is currently involved in an inter partes reexam case himself.

With that said, I'm going to turn it over to the moderators and the panel presentations.

MR. KUNIN: Thank you, Chris.

What we'd like to do, as Chris indicated, with the first panel is, beginning with Michele, to give you each an opportunity to provide sort of an opening statement with respect to your views on the equities of the inter partes reexamination proceedings. And when we conclude each of your opening statements, what we would like to do is ask the panel in particular to focus on certain specific aspects of the current reexam system in terms of how well it's working or not; and, if we were trying to tweak the existing system as to statutory or regulatory or even administrative proceedings, what are the things that you would recommend be done to address some of the problems that you're aware of with respect to how the system is currently being administered.

So, with that, Michele?

MS. CIMBALA: Thank you, Steve.

I represent both small and large entities. I have not filed or defended against a challenge in an inter partes reexamination. However, I have studied the rules for inter partes reexamination, and I have counseled my clients with regard to the same. I'm

here today to provide my view of the equities and the inequities of inter partes reexamination procedures as they currently exist.

Inter partes reexamination can be a good thing for both the patentee and the third-party requester. As to the requester, it provides a means not only to get art of which the USPTO is not aware in front of the examiner, but also an opportunity to comment on that art and on the patentee's arguments. The ability of the third party to provide comments allows the examiner to "hear" both sides of the issue and to make a decision that is better informed.

Inter partes reexamination can also be a good thing for the patentee. Clearly, if the patent survives, inter partes reexam has made the patent all the stronger now that the additional art has been considered.

Moreover, an inter partes reexamination proceeding that is brought soon after a patent issues and in which the examiner (and patentee) learns of non-removable art, this ultimately may save the patentee from expending significant funds and resources in developing the invention and asserting the patent. As strange as it sounds, an inter partes

reexamination proceeding that is filed soon after a patent issues and that brings forth non-removable art may be a blessing in disguise because it will focus the patentee in other areas and save resources in that regard. Such a decision would be especially important for small entities with the more limited resources.

However, it is my opinion that the inequities outweigh the equities for inter partes reexamination. There are inequities to both the patentee and to the third-party requester.

An inequity to the patentee is that third-party reexamination requests can be filed at any time during the term of the patent. A requester has no duty to bring art of which it is aware to the attention of the USPTO or to the patentee. The competitor can be aware of prior art, and only make everybody else aware of such art many years after the patent issues, and after the patentee asserts the patent rights against the competitor. Unfortunately, by this time, the patentee may have committed significant funds to development programs. These programs may then be abandoned if it is decided that it is not economically desirable to proceed in that area without patent protection. Neither society nor

the patentee will benefit in such a situation. Also, again, a small entity is much more impacted in this scenario than a large entity.

Even more apparent are the inequities for the third-party requester. Under 35 U.S.C. § 315(c), a third party whose request results in an order for inter partes reexamination is estopped from asserting the invalidity of any claim determined to be valid and patentable on the grounds which the third-party requester raised or could have raised during the inter partes reexamination proceeding.

Under paragraph (b) of 35 U.S.C. 317, in a civil action, once a final decision against the third-party requester has been entered, then neither that party nor its privies may thereafter request an inter partes reexamination of any of the patent claims on the basis of issues that that party or its privies raised or could have raised in the civil action or the inter partes reexamination procedure.

The problem is that this estoppel extends to any issue that "could have been raised." This especially impacts a third-party requester that's a small entity and that has limited funds. By statute, the requester must develop and present any issue that

could possibly have been raised and act as a second examiner in that regard.

That's not to say that such estoppel provisions are not needed to prevent harassment; rather, just that by their nature, they detract from the attractiveness of using inter partes reexamination as a means to challenge a patent.

As a result, in my opinion, it is naive to say that inter partes reexamination is simply a means by which to make the USPTO aware of art that may be of interest to the examiner, and to allow the third-party requester to comment on the same. In reality, the requester that desires to use inter partes reexamination must argue all possible art-based rejections. Argue everything now or lose your right to argue it later. There's no alternative. And, economically, that puts a significant burden on the small entity, even if this burden is still much less than the cost of litigation. Further, legally, because of the estoppel that arises should the third-party requester lose, inter partes reexamination always puts the requester at a significant legal disadvantage.

There is an inequity in that the third-party

requester may raise only art-based issues. Other validity-related questions such as enablement, written description, prior use or sale cannot be raised. Interestingly, enablement issues can arise in the course of the reexamination. For example, the patentee may defend and say that the art that is raised is not enabled. And the examiners are certainly qualified to deal with these issues. However, by statute, the third-party requester cannot use lack of enablement as a grounds to request the inter partes reexamination.

A third-party requester that possesses a mixture of art and non-art-related invalidity arguments is forced to segregate these issues between the art-based inter partes reexamination questions at the USPTO and the non-art-based questions for the federal courts. Not letting USPTO examiners handle questions that the examiners are trained to handle and dividing the issues between the USPTO and the courts prolongs the time period under which the patent is clouded by questions about its validity. As a result, the limited scope of third-party reexamination is inequitable to both the patent holder and the third-party requester.

And, in conclusion, I am of the opinion that the inequities outweigh the equities.

Thank you.

MR. KUNIN: Thank you, Michele.

Collin?

MR. WEBB: Thank you for the opportunity you have given to the American Bar Association Section of Intellectual Property Law Subcommittee on Reexamination and Opposition. I would like to first provide a disclaimer that these opinions are under review by the Intellectual Property Law Section, but are not yet adopted by that section. At this point they are the views of this subcommittee.

Section 35 U.S.C. § 315 estops a third-party requester from asserting grounds of invalidity based on issues that the third-party requester raised or could have raised during the inter partes reexamination. The estoppel does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination.

This estoppel provision may be read too broadly by courts based on an interpretation of two

aspects--one of two aspects of Section 315. The first relates to the "raised or could have raised" language, and the second relates to the estoppel exception, which carves out from estoppel assertions of invalidity based on newly discovered, unavailable prior art.

The "raised or could have raised" language can give rise to an inequity because it may estop a third-party requester in an inter partes reexamination from asserting an invalidity defense based on issues raised within the constraints of the Patent and Trademark office procedure, but nevertheless not fully litigated because of a lack of an opportunity for cross-examination.

For example, suppose a third-party requester successfully initiates an inter partes reexamination and the patentee rebuts the third-party requester's case by filing an affidavit. Such affidavits are not subject to the same scrutiny that they would be in federal court, including the lack of an opportunity for cross-examination. As a result, the examiner may be swayed by an affidavit even though the affiant's knowledge, qualifications, and skills have not been tested through a cross-examination process. In a

later civil action, the third-party requester may be estopped from challenging the conclusions of the affiant.

A further inequity arises if a too narrow interpretation of the last sentence relating to the estoppel exception, which preserves the right to raise grounds of invalidity based on unavailable prior art, is adopted. At issue is the scope of prior art that is unavailable.

Strictly speaking, published prior art is available to a third party even if it is unknown to the third party. Therefore, a narrow interpretation of the estoppel exception will estop a third-party requester from raising grounds of invalidity in a civil action if the grounds of invalidity is based on prior art that had been published prior to the inter partes reexam but was unknown or not discovered at that point.

For example, suppose a would-be defendant is concerned that it is subject to an imminent patent infringement suit. Rather than wait until the patentee files suit or files for declaratory judgment of invalidity, the would-be defendant files a third-party request for inter partes reexamination. The

third-party requester may file the request as soon as possible based on adequate available prior art and before an exhaustive, worldwide search can be completed. Filing an inter partes request as soon as possible may occur for a variety of acceptable reasons, such as to take advantage of the provisions under Section 318 for staying a pending litigation or merely to keep costs down. Suppose further that the inter partes reexam is completed with a modification of the claims and the patentee still has a colorable, though perhaps weakened, case of infringement against the third-party requester.

An inequity arises if a material prior art publication is later discovered, because the third-party requester would be able to challenge the validity of the patent--excuse me, would be unable to challenge the validity of the patent based on the estoppel provisions. But another party who was never involved in the inter partes reexamination would still be able to assert the newly discovered publication and potentially invalidate one or more claims of the patent. Thus, the third-party requester would be vulnerable to suit and would be unable to fully defend itself in a civil action in contrast to any other

party who was never involved in an inter partes reexamination.

This scenario is by no means far-fetched. Inter partes reexaminations are designed to be inexpensive relative to litigation, so a third-party requester should not be expected to perform an exhaustive search prior to starting the inter partes reexamination. Moreover, a defendant may be in a hurry to file an inter partes reexamination request in order to stay a civil action, which the defendant may not be able to afford. Therefore, the possibility that prior art will be discovered after an inter partes reexamination--even though it had been published or potentially available in a strict sense--is a real one.

Thank you.

MR. KUNIN: Thank you.

Brad?

MR. LYTLE: I just have one thing to say to Collin first: I was going to say that.

[Laughter.]

MR. LYTLE: We have not filed an inter partes reexam yet in our firm, but we've considered it a number of times in talking with our clients in

different situations. We would file one if the circumstances were right, and I want to give you a summary of what we--how we analyze the situation.

Inter partes reexam is a step in the right direction, but as a practical matter, it is a preferred option in only a few circumstances. In our view, the inter partes reexamination is best suited for cases where the third-party requester identifies a killer piece of 102(b) prior art, something where discovery may not be that important.

In summary, the reasons that have been raised why we should not file inter partes reexamination or why they haven't been used more often are that, while it's effective against certain types of prior art, like 102(b), where discovery is not that important, it's got some questions with regard to prior art that could be antedated. In that situation, in our view, the declarant has--a 131 declarant would have an advantage here. You can't raise the other types of prior art. There's no discovery or cross-examination. There's no ability to settle or stop the situation like there may be in Europe or Japan, for example. There's estoppels. You can't remain anonymous. A big reason is the attorneys and clients aren't that

familiar with the process yet. Also, there's only a relatively few number of cases that are eligible for inter partes reexamination so far. We would have filed a few inter partes reexaminations if the timing were right on our side.

Some promising aspects of the inter partes reexamination are: the lower-cost alternative to a DJ action; the technical decision makers; the cost-effectiveness compared to litigation; the inability to counterclaim so the issues don't become muddied and you can stay focused on the issue. Also, I believe it would be an effective mechanism for giving feedback to the office in terms of the examination approach. It also has the potential for faster validity resolutions.

The inability to conduct meaningful discovery and to cross-examine a declarant are handicaps of the inter partes reexamination. 102(a) or 102(e) prior art can be sworn-behind, and thus validity challenges based on this type of prior art will be biased in favor of the patentee, who can file a declaration.

In my experience with the litigators in our firm, they tend not to want to file inter partes reexamination because they want to throw the whole

arsenal at the other side.

Certainly the number of requests for inter partes reexams will increase with time as more patents become eligible and the proceeding becomes better known. However, in my view, unless the scope of an inter partes reexam is expanded to cover other types of validity challenges and at least allows a limited amount of discovery, it will remain of limited value to members of the public.

Finally, in the interest of harmonization and also to provide U.S. industry members with a more efficient tool to challenge overly broad or invalid patents, it seems to me like the European opposition proceeding and the Japanese invalidity appeal are closer to what the U.S. ultimately needs to adopt. Of course, our proceeding needs to be consistent with our law, which would permit discovery so all relevant information could be brought to bear before a decision is made.

Thank you.

MR. KUNIN: Thank you, Brad.

Beth?

MS. WEIMAR: I wanted to talk a little bit about the circumstances in which you might be

counseling a client about inter partes, so talking from the law firm perspective. I have on more than one occasion advised against filing a request for inter partes reexam proceedings. The main reasons for doing so are what you've heard: the statutory estoppel issues, the limitations of the present proceedings, and the uncertainty of the procedures involved.

For typical situations that raise discussions of whether to consider requesting an inter partes reexam, the most frequent is the result of conducting a freedom-to-operate analysis of whether production or sale of a particular item can be conducted without encountering infringement issues. If a patent is identified as a potential concern, then very often a validity analysis is conducted on that patent. The other situations might be when a competitor is sued, certainly when my own client might receive a notice, a cease-and-desist letter, or certainly if you're sued. And only--I mention the last because it could occur, but it doesn't happen often. The monitoring of issued patents of competitors might identify a patent containing claims that raise concerns, and a validity analysis would be conducted.

The identified validity issues may contain prior art issues, both weak and strong. Often, though, these are not the only issues. Restriction of the present inter partes reexamination proceedings to prior art issues alone, coupled with the estoppel, is the most frequent reason potential third-party requesters decide to avoid a proceeding.

A potential infringer has no incentive to settle only a limited number of issues in an expensive proceeding knowing that, should they be dealing with the validity issues in a lawsuit in the future, they will be potentially constrained from a complete defense as a result of undertaking an inter partes reexamination proceeding.

The other major consideration for potential requesters is the lack of confidence that the proceedings will allow adequate consideration of claim interpretation issues and, more importantly, the creation of an adequate record with regard to the claim interpretation.

In addition, there's little confidence that the record will clearly establish the facts to which the future estoppel applies, especially in those instances in which conflicting declarations of

technical experts are made of record.

In addition, as long as ex parte reexamination proceedings are an available alternative, I believe they will be more attractive. Estoppel provisions are not in place. They allow anonymity. And multiple reexaminations can be an effective strategy, which, in effect, creates something of an inter partes proceeding.

Another problem are the mergers that the rules allow, especially a merger with a reissue proceeding. The rules allow that type of merger to then follow the reissue rules. So such things as RCEs are then available and other provisions that could delay the final determination in the examining court.

Patent life is wasted when an appeal cannot be taken in a timely manner. Examiners conducting these proceedings alone, I think, causes a confidence issue as well as an issue for counseling your clients as to what facts can be discussed.

There's no commitment from the office that the proceedings will actually be handled with special dispatch. I understand that there are problems and workload issues, examiners leave and other examiners have to take up the cases. But in the absence of a

commitment to finish the examination proceeding in a certain time, it is difficult for clients to have confidence that it is a worthwhile proceeding.

Examiners are not accustomed to establishing appropriate records with regard to why rejections are not made. I think this is a particular difficult aspect of the rules. And just to point out a specific rule, Rule 948 requires that a requester can only submit art later if it meets both Rule 501 and the rebuttal provisions, and I think with fact rebuttal very often you might have a situation where the reference you would rely on for a fact rebuttal would not, in fact, meet the requirements of raising a new question of patentability.

That's the end of my comments.

MR. KUNIN: Thank you, Beth.

Lance?

MR. JOHNSON: As mentioned, when I started preparing the reexam request that we ultimately filed as an inter partes request, we prepared it as an inter partes request. The situation involved the client that was a small entity that had a problem with a much larger customer who also happened to be a competitor who got a patent on technology that came out of some

joint development work.

We switched ultimately to an inter partes request because we believed from the original prosecution history that the patent owner might seek to present the same arguments to the examiner that they did the first time around and introduce the same doubts or concerns regarding our own prior art, which was cited in the reexam.

That turned out to be a valid concern because the same arguments were made. But we countered with a declaration by our inventor and internal expert that described the inherencies of the process--the chemistry, the technology--and laid that out in a manner that allowed the examiner to come to the conclusion that the patent that we had filed and obtained on the technology did, in fact, disclose each of the aspects of the claimed invention in the subsequent patent.

We think this declaration was very helpful to the examiner since most of it was quoted or cited in the second action non-final rejection. The patent owner chose not to respond, and we should be receiving the certificate fairly soon.

Now, I think that the success or failure of

inter partes reexamination will be determined in large measure by what happens at the PTO in the next several months. Currently, the relative lack of use of inter partes reexamination I believe is due to some deliberate limitations built into the legislation, which may have been unnecessary, and by some inadvertent language that was used that's raising fear and concern among the bar.

Let me address first the November 1999 filing date. Clearly, that was done to limit the scope of what could come or would be available in an inter partes reexam. It limited those first cases to those that could get through the PTO quickly and that had products that could be brought to market quickly so that there would be enough competitive interest to challenge the patent.

In looking at the first 36 reexams filed, 23 were mechanical cases, six were chemical, five electrical, and one was biotech. That's fairly consistent with the notion that it should be quick to market and fast through the art units.

If that limitation was not there, I believe that more attorneys would consider using inter partes reexamination for matters facing their clients.

Second is the estoppel provision, and each of the speakers has talked about that. And it may have been a bit heavy-handed to include it for inter partes reexamination but not ex parte reexamination. In my experience, the courts will give great deference to a PTO decision of patentability over a certain reference, whether there's an express estoppel provision there or not. It's a natural result of the expertise of the agency. It may not have been needed. The unfortunate use of the word "unavailable" I think complicates things because, as a practical matter, no document that is unavailable can be a reference under any statutory section of the patent laws.

In inspecting the legislative histories, you have to go back two or three, but there is a report, House Report 106-464, where they define what "unavailable" means. Specifically, they say, "The third-party requester may assert invalidity based on newly discovered prior art unavailable at the time of the reexamination." Prior art was unavailable at the time of the inter partes reexamination if it was not known to the individuals who were involved in the reexamination proceeding on behalf of the third-party requester and the USPTO. That sounds to me like it's

a lot like the Rule 56 duty-of-disclosure standard, that if it's not presently known, you're not estopped from it.

However, in using this language, Congress has interjected and raised the cost of--$200,000 to $400,000 the cost of any subsequent litigation to find out whether or not you knew about it and what your present intent was. It hurt the ability of the process to be considered really by the patent bar. And the patent bar, frankly, is not going to recommend to its clients that they proceed if they don't know and cannot tell the client what they're giving up and what the true costs are.

Each of us has looked at malpractice insurance claims raised by fairly significant percentages over the last few years for premiums, and when you're faced with an unclear statute, one of the first questions that comes to mind is: Well, did you know what you were giving up? If you can't say, "Yes, I knew that," how can you recommend to a client whether they're better off in litigation or reexamination with an express estoppel?

Next, I believe that the 30-day period to submit comments may be a bit too aggressive because,

frankly, it does not engender--even though it serves a purpose, it does not include the three-day mailing provision of Rule 6. In my situation, the response that was filed by the patent owner was sent in at the same time anthrax contaminated the Brentwood mail facility, and all the mail in Washington, D.C., was sent out for irradiation, and it took roughly two months to come back. So we had a problem.

Fortunately, counsel agreed to fax me a copy so that I could submit it on time because I didn't know when it was going to get to the PTO. So I submitted my comments to the PTO, had them hand-carried over because we were in town, and then the PTO was now faced with comments by the requester before they'd received the response by the patent owner, and they didn't quite know what to do.

It did ultimately all get sorted out, but it indicates that relying on postal mail is not necessarily the best way to proceed for future proceedings. It is within the PTO's authority to adopt and allow provisions for service by facsimile, e-mail, and other electronic mechanisms, Federal Express, overnight courier, that are commonly used in law firms that perhaps should be considered since we

have recently had a second occurrence of contaminated mail.

I also think that the PTO needs to clarify its stance on the viability of inter partes reexamination. In its 21st century plan, it announced and declared inter partes reexamination to be a failure, not more than a year after it had been published and was available for use. That may be a bit premature, but now the patent bar is faced with a counseling problem. Should they recommend to their client that they proceed with the inter partes reexamination when the PTO itself has already condemned the process as a failure and not workable? That makes it very difficult to decide to go forward.

Fortunately, I think the PTO can correct these issues. Because it is given great deference in construing its own statutes, it could and should issue a chapter for the "Manual of Patent Examining Procedures" that's directed to inter partes reexamination, much like Chapter 2200 is for ex parte reexamination. And they should do it sooner rather than later. That would give the bar some idea of the policies, procedures, and details. I notice that the ex parte reexam chapter is 128 pages, small type,

double column. There's a lot of information in there. That same information would be very helpful for inter partes reexam. Also in that chapter they could adopt an interpretation for the word "unavailable" for the estoppel language that is consistent with the legislative history that would resolve it or should put to rest at least many of the major concerns regarding the estoppel provisions.

Thank you.

T1B MR. KUNIN: Thank you, Lance.

Miles?

MR. DEARTH: Yes. There have been a lot of comments in review of inter partes reexamination lately, and I want to point to an article in the December issue of the Journal of the Patent and Trademark Office Society by Mr. Cage and Mr. Cullen of McDermott, Will & Emery, as well as Lance's review of the inter partes actions to date. That's very helpful in moving us forward.

Apparently, though, as we can see, the amendment to 35 U.S.C. 303(a) hasn't opened up the flood gate, and for several of the reasons that were raised by the panelists. But still inter partes reexamination is an important consideration in the

overall public housekeeping function, even in its present form.

I'm involved in an action that brought art back to the office that was of record, and it's understandable how unwelcome it may be to bring a reexamination on issues of prior art already on the record, even if they weren't thoroughly traversed by the parties in the original examination. But the public does know that the patent applicant and his advocate are not in the same foxhole with the examiner during the original discourse. At some point prior to litigation, reaching an intermediate level of review in a balanced process I think will serve the interests of the public. But revisions are needed if we're to achieve the goals of the AIPA.

The experience I've had to date with inter partes reexamination in light of the revised 303(a) reveals that some types of issues of fact and law remain evaded from reasonable review. 37 CFR 1.947, 1.948, and 1.951(b) preclude a third-party requester's ability to address the substance of the action-closing prosecution when the patent owner has remained silent. This can leave the record in rather poor form for appeal. An action-closing prosecution in this

instance leaves the only recourse of presenting evidence on appeal, and there are provisions of a showing as to why they weren't brought earlier. This is an inconsistency in the rules that probably should be addressed. The mandatory third panel review--and I quote 65 FR 76755--and the proposed additional legal oversight noted in 65 FR 76758 is welcomed.

The second area of concern in view of the estoppels is the lack of flexibility in addressing fact evidence. The practitioner can refer to MPEP 2205 that sets out a little bit of the standards that should be followed, but there's a wide open latitude in interpreting what would be considered acceptable affidavits and declarations brought to explain the contents of the prior art.

Owing to the skill in crafting claims that can render them inoculated from attack under reexamination points to the need for more balanced review of evidence. The proposed post-grant review to be submitted to Congress, if adopted, will be welcomed relief if we decide ultimately to scrap inter partes reexamination.

MR. KUNIN: Thank you, Miles.

The panel has each had an opportunity to make

some opening statements. Now I'd like for you to perhaps comment on some of the statements that were made by other panelists, especially if you want to agree or disagree with what was stated. And, also, we had provided a series of questions before this panel dealing with certain aspects of the way the system is currently administered, dealing with questions of whether the pace of the proceedings are adequate, too slow, too fast. What are your views with respect to adequacy of oversight? Is there a sufficient level of control of the proceedings by the examiner? And, as it was mentioned, panel reviews before cases, for example, are ultimately decide? And, if you've had some experience with actual inter partes reexams, have you seen any potential problems or abuses on the part of the third-party requester or the patent owner?

So, with that, I open the floor. Who can I recognize first? Yes, Lance?

MR. JOHNSON: I wanted to address first the issue of cross-examination, because I know that those who do litigation seem to feel uncomfortable with the notion that a declaration can be submitted that presents facts, but there's no ability to cross-examine the declarant.

I think that that is perhaps a bit of habit, but I also note that there is nothing that precludes the patent owner or the one on the other side of the declaration from presenting their own declaration of contrary facts and evidence.

It seems to me that in a PTO proceeding, in a reexamination of a patent, the one nice thing you can have is that you don't have to really clutter the record--and I use that term in the kindest of senses--with the notion of credibility. We're really talking about does the technology work the way one or either of the declarants says it does. That is more or less an objective fact, and it should be provable by declaration one way or the other.

So I discount the notion in my mind that because you can't cross-examine the declarant that that makes the proceeding less worthwhile.

MR. DEARTH: I would agree, and the inequity arises when there's an imbalance in the bringing of this evidence through some glitches in the rules. For example, as I pointed out, when the third-party requester takes issue with critical facts such as inherent anticipation, incidental, rudimentary facts that are not stated in the prior art that elude

review, and that, I might add, are not picked up in assessing the level of ordinary skill in the art by the examiners or they don't possess the level of ordinary skill to understand such rudimentary facts they've reviewed.

If there is a balanced approach of taking issue with certain facts, putting on that evidence, and there's the rebuttal, as Lance says, then the Patent Office at that point can make its determination, and there would be a more fair assessment in an abbreviated form based on objective, scientific, reasonable and all other standards that we're familiar with in the subject area, and resolve the issues. That would make the fact estoppel provision a little bit more balanced.

MR. KUNIN: Thank you, Miles.

MR. LYTLE: Regarding the cross-examination aspect, one of the things that comes to mind is certainly you can draft your own declaration, and it sounds like you had a battle of declarations in your situation. But I wonder whether that process is limited in its ability to get down to additional facts on the side of the inventor, for example. His or her reply is going to be filtered through three or four

attorneys and preparing a declaration, coming back, and you may lose out on some of the insight regarding what that person, in fact, had described in their cryptic drawing, the antedate of reference.

The other question that both Lance and Miles bring to mind is--I can't remember the rule, but the business method group who always gives us these--you know, examiners are allowed to come back and ask for additional evidence. 105, all right, a 105 request. I don't know if that has been used or not used in an inter partes context, but perhaps it could be to drill down a little bit deeper so the side of the third-party requester could at least put their thoughts and inclinations on to the record and, if appropriate, have the PTO examiner drill down a little deeper through a 105 request.

MR. WEBB: All of that would militate, I think, towards what the PTO could do, which is have specialized training for the examiners in the event they get involved in an inter partes reexam, primary examiners, because that would enable them to have the skills to know, yes, I can have a Rule 105 request and these are the kinds of things that I should be asking that are specific and will result in fruitful

responses from any of the parties in an inter partes reexam.

MS. CIMBALA: Every time 105 is raised, I get a little bit nervous. I have always in-house referred to that as the "Road to Mordor." It's just suddenly you've got this examiner who's now asking for everything and every file that you've ever searched and your scientists have researched, and the potential for abuse is such--I think it would be helpful here, but there needs to be some constraints on it, or I think it could get very out of hand very easily by examiners that didn't necessarily--or that perhaps want to put more of the burden than they should back on the requester or the third-party defender.

I was heartened by how many of the other panelists--not to change the subject a little, but by how many said that they also had a problem with these third-party--inter partes reexams that you have to bring everything you could have raised, even if you could prove--like you say, it's going to takes hundreds of thousands, perhaps, to prove you knew about it or didn't know about it later on. Who knows what the scientists have in their files back in the office of which they've filed ten years ago and don't

remember? That's a real problem for us.

And so it's one thing to focus on one piece of art that you would like to have in front of the examiner and deal with, but now suddenly you've got to deal with this penumbra of all other possible issues. And it gets very fuzzy at the edges of that penumbra, and it's just a bit harsh, I think.

MR. LYTLE: I think it would be unfortunate to make a decision on an important patent based on fuzzy information. You know, we want to have the company's businesses and future markets on the line with these patents, and, by golly, if we're going to decide the issue, let's decide it right. And that's the concern that we've always had with our clients.

MS. CIMBALA: Yes.

MR. LYTLE: You know, this is really important, it needs to be done right, and we don't want to go the low-cost option of going the inter partes reexam process if we can't, you know, bring all our forces to bear, if necessary.

MS. CIMBALA: Right, and you don't want to be estopped from later raising those fuzzy issues, which now in court become quite important, but at the time of the inter partes reexam perhaps you were so focused

on Document X that the fuzziness, for whatever reason, it was just missed, the importance of it.

MR. LYTLE: A thought that comes up is Michele had mentioned putting some restraints on examiners' ability to use 105 in this context. I don't know what restraints are placed on a staff attorney at the ITC as an example, you know, a government attorney who inquires on patent matters. But that may be something to take a look at if the office decides to go forward with this.

MS. CIMBALA: That's a good comment.

MR. KUNIN: There's a number of you who raised the question with respect to the definition of what is considered to be art available to the requester. Maybe one or more of you might comment on whether you believe that this is tantamount to requiring an invalidity search basically that it would necessitate that the third party engage in the kind of a search of foreign patents, U.S. patents, non-patent literature, that would be tantamount to what you'd have to do in litigation, or is it some lower standard.

MS. WEIMAR: Well, we have to guess, so we don't have a lot of direction. We don't have any

court direction on that.

But I think it's very hard to give anyone a comfort level that is anything less than the level of a validity search, and at least a reasonable search of the prior art, at least a search of the prior art that would be equivalent to the search you would expect a patent examiner to undertake, because I think that the worst situation would be that the examiners themselves find art that you didn't submit, but then you disagree with what the examiner does with that, because I think that any court would think that if the examiner found that you could have as well.

MR. KUNIN: Lance?

MR. JOHNSON: My concern is that if "unavailable" means that it's got to be--you have to do some sort of affirmative search, that with 102 art it's not so bad because you have--if you're going to be estopped, you're going to treat it as an all-out, no-holds-barred, search-everything sort of standard because you're going to give it up. Or it's going to be argued that you're going to give it up. And with 102 type art, you can pretty much understand and you know when you've got one of those. But with 103 art, there are 2,000 examiner lawyers, 2,000 different

opinions of what constitutes a proper obviousness combination, depending on what you use as your primary reference.

It would be difficult for any court to say, well, you're estopped from arguing this later because facts have come out or something has changed because this obviousness art was available to you. It just seems to me that the issue raises more concerns and more fear than it solves or resolves.

MR. KUNIN: Let me just ask a follow-up question along those lines. You know, a number of people have been following the debate with respect to the community patent on Europe, and there still is this issue with respect to having to do translation as it relates to search of non-English-language prior art documents.

What is your view with respect to, you know, that aspect of whether there may be an obligation?

MR. JOHNSON: My view personally is that you have to consider it, you have to look at it. I have tried to use non-English-language search firms before, paid a dear price to do so, and had very spotty results because the notions of obviousness and anticipation don't translate well to other systems.

But I would be very hard pressed if a client came to me and said we need to go forward, want to do this by inter partes reexamination, what kind of search should I do, that I would be comfortable saying get on the PTO website, that's good enough? Or hire a local searcher, that's good enough?

I'm not sure I could do that, particularly if a reference came out later out of--a published reference out of Switzerland that was--that we didn't find, that wasn't in the PTO records. The client's going to come back to me and say you told me this was all we had to do and now I'm estopped from presenting it because it was published.

Well, my malpractice insurance is now on the line as well as the benefits of this client and the future relationship. It becomes--it escalates the issue and the costs significantly because you have to judge and act in the worst-case situation for every situation.

MS. CIMBALA: I would agree with that, and I think that while on paper it looks like the standard is lower, yes, I don't know about that, but I know about this, so let's make it arguments and make it of record and get something in front of the examiner.

In fact, in this global economy that we have today, with the instant translations online, you've just got to search every language you possibly can. There's just--I may be compromised in that I only speak English, but most of my clients speak more than one language. And how can I not say that, yes, I didn't understand it, but it turns out my scientist did?

MR. WEBB: Or as you mentioned, if you have a global corporation, which many of them are now and they have offices in Italy and Belgium and Brazil and the United States, and engineers who are talking to each other, the patent that's of interest to this corporation, you know, they have a third-party request, one of these engineers knows about a Brazilian reference, but they're--and so that's sort of within the knowledge of the corporation, but it's not--you know, there are communication problems, this is international communication going on, not to mention language barriers. And then it's got to get up to legal counsel, and who knows when you're supposed to tell legal counsel about something you know. But it can all be imputed as being known to that third-party requester because, oh, it's all the

same organization, and then it really gets difficult to manage all of this information.

MS. WEIMAR: I definitely second that. I have pharmaceutical clients from Japanese pharmaceutical companies, and the way that they are structured very often their researchers are in totally different cities, far apart from the city where decisions are made about patenting, about patent strategy, about whether to go forward in one way or another. And it's very difficult to get to those initial researchers and know what they're familiar with.

MR. TOUPIN: One question that this discussion raises is all of these would also be good arguments against collateral estoppel from a DJ action. But I take it that the reason that a full invalidity search is not being done or might not be done but for the estoppel provision is the desire for inter partes reexam arises in circumstances where a DJ action would not arise.

I take it, Lance, in your case that was possibly--

MR. JOHNSON: That was the case, yes.

MR. TOUPIN: --such a situation. Is there a

distinction in the kind of situation in which people under this proceeding would consider coming to the office and potentially accused infringers would seek district court action?

MR. DEARTH: Turning to my personal experience, the art that befell us limited the choices for future development significantly, and unduly, we felt. So not a lot was at stake except for the choices in meeting our customers' needs in the future marketplace. That had nothing to do with any case or controversy or impending litigation, basically an academic issue.

This is very helpful if it resolves certain issue and results in the proper kind of scope afforded to a late patent in very close and mature art.

MR. JOHNSON: I'd like to follow up on that. In our case, as I mentioned, it had to do with a patent owner who was a customer as well as a competitor. We wouldn't have filed a DJ action because, first of all, it would have been too expensive in terms of the relative value of the product involved. Second, pursuing litigation with the customer is going to engender bad blood. It will necessarily occur. It's going to be disruptive to the

executives of the company, whether you're large or small, and perhaps it's more important for a small entity to try to stay away from judicial interaction because if your executives are out of the office for a week getting prepared, they're not running the business and there's nobody there to back them up.

So it's real important to have a proceeding where you can address the issues on paper, with less inconvenience to the parties, and that doesn't entail the controversial nature that would disrupt the relationship between the parties.

MS. WEIMAR: But, again, I think that the anonymity of alternative for the ex parte reexam might come into the strategic analysis in a case like that, too, because you obviously don't have the estoppel issue, and it can be done without your supplier ever knowing that it's you that's raised the issue.

MR. WEBB: But who knows if the federal common law for estoppel, if the estoppel provisions under the statute will be interpreted the same as the federal common law for estoppel? So we have that whole body of law, we know what that estoppel is going to be. We don't really know what the scope of the estoppel is under the statute.

MR. KUNIN: Let me take one more comment, and we'll then conclude the panel.

MR. JOHNSON: Well, I just wanted to follow up to say that's why I think having an estoppel statute is a bit of overkill, because as a practical matter, if a court, a judge who doesn't see a patent case on a regular basis is faced with the same art and is told that the examiner looked at it and said the patent was patentable over that, that judge is not going to give a whole--he's going to give a lot of credibility to the expertise of the agency. That is not an insignificant thing when you're trying to protest a patent in a court. So I'm not sure that the estoppel provision is that necessary.

MR. KUNIN: With that, we'd like to thank the panel, and we'll take a brief break right now.

[Recess.]

MR. KATOPIS: Before we start with panel two, I just wanted to mention that we are interested in hearing your questions, and we have provided some blue index cards. If you do have a question, please write it down, hold up the card, and someone from the PTO will get the card and bring it to the moderator to submit to the panel.

I don't even know if I should introduce panel two because we have so many distinguished members of the bar and USPTO alumni that I don't know if they need an introduction. But for those not acquainted, let me start:

Harold Wegner is a partner with Foley and Lardner here in D.C. He continued his teaching affiliation with GW University Law School, where he was the director of the Intellectual Property Law Program and professor of law.

Nancy Linck is the Senior Vice President and General Counsel of Guilford Pharmaceuticals in Baltimore, Maryland. She is the former Solicitor of USPTO and continues in her position as an adjunct faculty member at Georgetown University Law Center.

Charles Van Horn is a partner at Finnegan, Henderson, Farabow, Garrett and Dunner here in Washington, D.C. Prior to joining Finnegan, Mr. Van Horn had a distinguished 31-year career at the PTO. He is here today on behalf of the AIPLA.

Jeff Kushan is a partner at Sidley, Austin, Brown and Wood here in Washington, D.C. Prior to entering private practice, Jeff worked on IP policy issues here at the USPTO and for USTR in Geneva. He

is also a former USPTO patent examiner.

Finally, Lee Hollaar, and we're very grateful to have Lee with us. He's a jack-of-all-trades. He is a professor of computer science at the University of Utah, where he teaches digital intellectual property law, including software patents, and is a patent applicant and patent awardee. He is a registered patent agent and an expert witness in patent litigation from time to time. He is also, as I understand it, author of an online intellectual property law treatise, which I would invite you all to check out.

With that said, I'm going to turn it over to the moderator for our next panel.

MR. TOUPIN: Having in the first panel elicited comments on practitioners' experience with counseling clients about the advisability of inter partes reexam and actually participating in the process, while not excluding those subjects in this panel, this panel we hope will concentrate a little bit more on how one would design an optimal system arising out of that experience.

We'll start with Hal Wegner.

MR. WEGNER: Thank you very much, Mr. Toupin.

First, you've left out my most important credential. I guess you don't go back 40 years. Thirty-nine years ago, I started as a patent examiner, which is still my favorite job I've ever had. Thank you, Mr. Toupin and Deputy Commissioner and Mr. Katopis.

The general counsel in the last panel raised the question about comparing estoppel in a DJ with estoppel here. It isn't the search to me. You know, if you spend two, three hundred thousand dollars looking for prior art and combing through your records, a rule of reason has to set in, and the federal circuit has become so anti-patent, they're going to say that you're not estopped if you've spent a reasonable effort to look for prior art. The real problem is predictability of the process.

It's an a fortiori principle. Inter partes reexam doesn't really need to be changed. It needs to be made--except for getting rid of estoppel, it needs to be made more reliable. Really, with estoppel, it's geometrically more complicated to recommend inter partes reexam versus a regular reexam. And the same three changes are needed for inter partes reexam that are needed for regular reexam.

Predictability, reliability, and timeliness.

These are really more than slogans. There are really some concrete things that need to be done. When we introduced ex parte reexamination in 1980, we had planned to have a supergroup. I mean, one--Collin in the previous panel talked about training examiners. You can't train one of 3,500 examiners to get one reexamination every ten years. It's through practice that you learn this. It's not having SPEs. It's a nice acronym for something which I don't really know what it stands for anymore.

The experience that I've seen in ex parte reexam, you've got a big major league case. People are overwhelmed. They're just overwhelmed. You've got to get a supergroup. You've got to get past the union or whatever other problems there were in 1980 and have a real cadre of accountable lawyer-examiners to handle it. Whether they're administrative patent judges or whether they're just some great lawyers, or whatever else, you've got to do that for predictability.

Unless you do that, the system is flawed. You're still going to get some ex parte reexams, and if you get rid of estoppel, some inter partes reexams. You may get more because of the wild card factor. If

you have a team like Steve Maebius at Foley, Lardner, he could put together ten people on a team and we can do some quite remarkable things. But it shouldn't be whether you can outgun the opponent that should matter. You need to get a supergroup. That's predictability.

Clerical reliability is a second point, and, again, this is not smoke and mirrors. What's happening is back in the '80s there was the talk we had in congressional testimony from then-Representative, now-Senator Wyden about shopping carts full of lost files and all that. We've heard horror stories, that is, files get thick, they can't fit on the shelves, they get lost. And as they get scanned in, the lowest GS-minus whatever level is scanning them in, and the papers get lost and skewed and filed. We can check on the pair sites and find cases which are every which way but loose with half the papers filed in the last year not there, and no response in over a year on some of the most important reexams that we've seen.

What's needed there? It's very, very simple. Turn the clock back to 1990 in Japan or recently in Europe. You have all electronic files. You start

right away as a prototype with the whole office electronic filing. You switch immediately. You take whatever resources you need and have all electronic filing of reexams, immediately. Everything's electronic. You get rid of the scanning, get rid of the paperwork, everything's electronic.

The more important the reexam--you can't take averages on this. If a case is not important, it isn't copied. If you have a case like Ochiai, which is very important, it must be lost every week as people are looking to get copies of the file. And it's no wonder you don't hear for over a year in a case like that.

And I think I blame clerical reliability for the fact that in one study that we did, Mr. Maebius and I did, we found that for--it was a small group, under 20 cases. We checked all reexams where we could find that they went to the Federal Circuit, and we checked the pendency from start of the filing until the reexamination certificate--9.5 years. We did another sample of inter partes reexams with a time slice, an arbitrary time slice, about a year and a half ago, a hundred files--not 9.5 years but egregious, terrible. So you get rid of a lot of that,

almost all of that, if you can get clerical reliability.

Third is timeliness. One of the factors, only one of the factors in reexam is the "special dispatch" provision of 35 U.S.C. § 305. This factor was put in the legislative history. One of the earlier drafts of the bill in the '70s was to say the reexam should be completed in one year. Well, that was really the intention, to do one year.

Now, there has to be a balancing of rights and various factors, but I submit that when it gets to be two, three, four, five, six years, this ought to ring some fire alarm bells in the office, and there should be some full-court press done to make sure this case gets settled and out the door.

So those are the three changes that are needed. We need to have predictability, a supergroup of accountable, trained people to handle all reexams. We need reliability, starting first and foremost with electronic filing. And, third, timeliness, we must give primary consideration to special dispatch.

Those are my comments, and I'm going to pass the microphone to the next speaker.

MS. LINCK: Harold is always a hard act to

follow.

Thank you for the opportunity to participate in PTO's round table today. As a long-time supporter of a meaningful inter partes reexamination system, I really appreciate the office's interest in carefully examining the system as it stands today and in trying to find ways to improve it.

I speak today on behalf of my company, Guilford Pharmaceuticals. Guilford is a small pharmaceutical company in Baltimore. A strong patent system is critical to Guilford's development and commercialization of drugs, proprietary drugs. A strong patent system requires a meaningful, fair mechanism to challenge the validity of patents without very costly, time-consuming litigation, particularly for small companies.

The new inter partes reexam goes a long way to providing such a mechanism. This is particularly true now that a third party can appeal to the Federal Circuit and now that Portola Packaging has been legislatively overruled. The office played an important role in getting those changes enacted and should be applauded for their success. But challenges do remain, as we've heard earlier and will continue to

hear.

Making certain changes in both our inter partes and ex parte reexamination systems would go a long way to addressing the challenges we still face.

First, and most importantly, and as previously recognized, the 1999 legislation should be made retroactive so that it would apply to patents filed before November 29, 1999, as well as after. Until that change is made, inter partes reexam cannot be used to challenge most patents. In fact, I believe that's the single change that needs to be made to have the system used more frequently.

Second, third parties should not be permitted to abuse ex parte reexam by effectively turning it into an inter partes procedure. If that's fixed, again, inter partes will be used more frequently. Third, parties accomplish this, the abuse, by filing multiple, sequential reexamination requests based on the same substantial new question of patentability as the original request, and effectively getting a chance to respond to each paper filed by the patentee. As Beth recognized, you know, why go the inter partes route when you can accomplish the same thing through ex parte? This abuse should be stopped.

A second reexamination request should only be granted when there really is a substantial new question--new in caps--not the same question raised in a previous request. It's not fair to the patentee and not in the spirit of ex parte reexam. Ex parte reexam should be just that--ex parte.

Third parties also abuse ex parte reexam by attacking patents they previously unsuccessfully attacked in court. They should not be able to sidestep the estoppel provisions of inter partes reexam via the ex parte route. Reexam is supposed to provide an alternative to litigation, not a way to trump it. Harassing patentees in this way should be stopped, and it's in the office's power to do so.

With respect to the estoppel provisions, Guilford believes they are fair and should be maintained. While we would support eliminating the estoppel provisions until a third party took the reexam to the Federal Circuit, once the third party has gone into federal court, we believe that estoppel is appropriate.

Third, the office should be required to complete reexam in an expeditious manner, for example, 18 months. Plenty has been said about this before.

The office, I believe, could address this issue by defining the "with special dispatch" language of 35 U.S.C. § 314 in its regs.

I'd like to make one final related point, and it's a topic that was brought up earlier. Guilford opposes adopting an opposition system in lieu of a fair and meaningful reexamination. While adding oppositions to the system as an alternative way to challenge the validity of newly issued patents may have merit, eliminating inter partes reexam would be a mistake. The two mechanisms, inter partes reexam and an opposition, are very different and they're complementary. Reexam should be of limited scope for the life of the patent, and an opposition is typically of much broader scope for a very limited time, usually nine months.

It's extremely important to Guilford, and I believe companies like Guilford, to retain a way to challenge the validity of patents throughout their enforcement period. I've given reasons for this in my more extensive written settlement.

To conclude, what Guilford is seeking from the office is: first, the ability to challenge patents filed both before November 29, 1999, as well

as after; second, as a patent holder, the assurance we will not be harassed by third-party abusive challenges to our patents through ex parte reexams; third, the assurance that both ex parte and inter partes reexams will be concluded quickly; and, finally, the continued ability to challenge the validity of others' patents throughout their enforcement period.

Thank you.

MR. VAN HORN: I'm Charlie Van Horn, here today on behalf of AIPLA. AIPLA has supported inter partes reexamination to provide third parties with an efficient, effective, and relatively inexpensive procedure for the office to address issued patents. However, in spite of recent amendments that have removed some of the deterrent for use of this present system, other features remain that unduly limit use of this procedure.

Among the procedures of inter partes reexamination that are most often mentioned as being unfair to both competitors and the public interest in the grant of valid patents are: one, the estoppels created by participation in inter partes reexamination in the absence of the availability of discovery; two, limits on the issues that can be raised in

reexamination; three, the limits, as Nancy mentioned, on the patents that are eligible for inter partes reexamination; and, four, an imbalance between the duties owed to the USPTO by the patent owner and the third-party requester.

We recognize that these features are ones of the law that USPTO has no control over to manage. We are not aware of any problems in the USPTO at this time in their administration of the inter partes system, but this is not true for ex parte reexamination where lack of special dispatch, supervisory review, and management oversight are unfortunately rampant.

The attractiveness and reliability of any post-grant system is and will be heavily dependent on the perception and reality of the USPTO can make it work. The AIPLA has created a special committee on patent legislative strategies to focus on legislative changes that are desirable and achievable for the U.S. patent system in the near term. Like the recent FTC report, one of the initiatives identified by the committee is a post-grant proceeding that contains an ideal mix of features for a fair, prompt, and effective resolution of new patentability issues that

are typically addressed in the PTO examination process. The challenge is significant, for no country or office has achieved a system that is recognized as achieving these worthy goals, but the time is ripe to make another effort.

While our own consideration within AIPLA of an ideal post-grant opposition proceeding is far from complete, and we are very interested in the parallel effort being made by the USPTO, some of the features that are being seriously discussed at this time for such a proceeding are as follows:

First, although still controversial, an opposition request must be made within nine months of patent grant unless the patentee and requester agree to a later request. There are a significant number of people, however, that would support availability of this system throughout the term of the patent.

Secondly, the grounds for opposition include Sections 102 and 103 based on patents and publications and Section 112, first and second paragraph, except best mode.

Third, all direct evidence shall be presented by declaration with declarants subject to cross-examination by deposition.

Fourth, the opposition should be assigned to an administrative patent judge.

Fifth, parties have rights of appeal, as in the current inter partes reexamination system.

Sixth, there be no statutory estoppels based on participation in such a proceeding.

And, seven, a final USPTO decision or determination would occur within one year, with the possibility of a six-month extension.

Thank you very much.

MR. TOUPIN: Mr. Kushan?

MR. KUSHAN: Thank you. First of all, I'd like to express my support for a lot of the views that have been expressed about the deficiencies of the system that exists now, both by the preceding panel and our earlier panelists.

One perspective I'd like to offer on the system comes from that of a biotech practitioner, and in particular it pertains to the issue that Nancy mentioned, the availability of systems to review patents only as filed after 1999.

As many of you are aware, the Patent Office raised the standards on utility and written description in 1999, and so there is a pile of patents

that issued on applications before that date and before those standards kicked in that do raise questions. This goes to the substantive expansion, which I think is essential for a reexamination to cover issues Sections 112 and 101 issues that may be of materiality to the patent.

As I said before, there are many issues that people have identified very well with respect to the defects of the estoppel condition imposed on inter partes reexamination. What I'd like to do is emphasize a few elements that I think have to be in any system that we look for creating.

One thing also to keep in mind is that the name we use to describe this post-grant system should not hang us up in terms of our decision about what it should be, if we use inter partes reexamination, if we use post-grant opposition. Fundamentally we should look at what that system offers parties who want to review validity of a patent.

First, obviously we have to correct this estoppel conditionality. That's simply not a viable element for a party looking at this patent procedure and deciding whether to take the risk of putting a patent into it.

Second, we need to expand the scope to cover the Section 112 issues, and in the biotech area, again, these tend to be the dominant issues that we're fighting about. The prior art issues are important, but in many instances, it's going to be a Section 112 fight.

The third area is we have to look at this from the public function. Any patent that you can face as a liability should be subject to the possibility of it being reviewed and a reexamination or an opposition system in the U.S.

Fourth, it goes to the question of when and how one can start one of these proceedings. There needs to be a continued speed bump to get this proceeding started. Right now we have a substantial new question about patentability standard. Whatever system we adopt in the future needs a comparable or other initial proof to start the proceeding. And I'd speak here from the perspective of seeing how opposition systems in other countries work and how parasitic or how troublesome those systems can be. Having no speed bump in the process of starting a reexamination can subject parties to unwarranted challenges to patents.

Now, there's a critical question of if you go down the path of reform, what should the system look like. Should we get rid of the inter partes procedure or should we create a parallel system? In my view, there needs to be the availability of both procedures. There are many instances where we feel that a competent examiner or competent adjudicator in the Patent Office can look at documentary pleadings we might make--filings, declarations of the type described in the earlier panel. And we feel confident that the right outcome can be realized.

In other settings, we want to know that there is going to be a more robust set of tools available to review and ensure that the right factual and legal questions are put in front of the decision maker in the PTO and also then can be resolved fairly.

In my mind, there seems to be--these are not incompatible procedures. In fact, they're perfectly complementary. To the extent that you can start one proceeding and run it on a documentary basis, and either at the outset or shortly after it's been started, you can move to a different venue, a jurisdictional change over the board, or some other set of procedures, that would be a desirable option

for the party involved in one of these proceedings. So maybe a motion that you file in the early stage of the proceeding which shows that there are going to be significant difficult questions of law or fact that merit a more invasive procedure, that would be an idealized way of merging the two systems and giving an out to a party who feels they want a more robust proceeding to be available. Obviously a higher fee for the more robust proceeding will also put some constraints on when those will be started.

The last topic very briefly I'd like to talk about, we've heard a lot of discussion, and the PTO's plan also raises this on a post-grant opposition, about giving parties the option for limited discovery. And I think one thing that causes some concern, it's a good idea to have some additional tools, evidentiary tools that can collect information and get admissions and other types of statements from the other side to be available. It would be nice to have those in the proceeding. The question then goes to whether we can be forced to have document production or things of that nature. To the extent you go down that path of a much more invasive discovery tool, you basically abrogate the benefit of a limited administrative

proceeding in the Patent Office.

So certainly when you're looking at the tools you might make available in a more robust proceeding, we need to put constraints on those tools so as not to essentially re-create inside of the Patent Office what you would have to suffer through in litigation. Doing so would make it a pointless system that I don't think people would want to take the risk of using.

And so as you think through the way forward on these topics, I'd recommend that we look at the positioning of an administrative proceeding as what it was originally intended to be, somewhere between nothing and litigation. And if you can achieve a balance in the attributes of the system that make it viable for that limited function, that's going to have a great effect for the patent community.

Thank you.

MR. TOUPIN: Mr. Hollaar?

MR. HOLLAAR: Thank you. As probably the only non-attorney on any of these panels, I'm going to take a step even further away, forgetting I'm a patent agent, and talk about reexamination and the importance of it from the perception of someone who's in the software community, because I think it's very

important to recognize that there are flaws in the patent system, especially in terms of software. Many of them are the result of the Patent Office for a number of years denying applications for software or at least creating the perception that it wasn't worth your while disclosing techniques. And as such, there's a big gap in the prior art collection, probably more than in any other areas than--with the possible exception of methods of doing business, which comes about from the same thing.

I know there are techniques that I as a software creator came up with that are still viable. During that time it would have been nice to file for a patent, didn't think the patents existed, and, therefore, kept them trade secrets where they remain today. And it's very hard for an examiner to find that prior art.

We need to recognize--the Patent Office should make it clear that reexamination is not an admission of any sort of failure on the part of the Patent Office. In this there's a need to balance the application fee, which we want to keep reasonably low to encourage the filing of applications, which encourages the disclosure of the prior art, which

builds the collection for searching, which builds the--which produces more and better patents in the future, and the fact that with that low fee, it's not possible for an examiner to search every piece of prior art everywhere in the world. I think there's a need to balance it, and I think that the fees that we have now and the amount of time that the examiners spend is probably appropriate to the situation. It's not a registration system. There is some filtering. But it's not a perfect system.

And we recognize that the way to have this be of best efficiency is to do a reasonable examination and then, in those cases where there are exceptions, have procedures to give further examination based on external input. And it's ridiculous to say that that has to be a litigation system.

And so the Patent Office should say that this is, in fact, a very sensible way of running a good system, and that it's not a critique, and that the people who demand perceptions in issued patents simply don't understand how the system works.

For the software area, reexamination is important because there are very big gaps in the prior art collection, and it's not until a patent is issued

that someone realizes that it's important to come forth and say, hey, I did that 20 years ago and it really wasn't documented, but, you know, here's material on it. Techniques that have been tried, like the Software Patent Institute, where people would contribute prior art, simply don't work because the person doesn't know if they did a database system a decade ago whether this one particular algorithm that they used is important or not. And it's not reasonable to expect an examiner to search through piles of code to do this.

The best way is when a patent is issued and the software community sees it, they can bring forth art. Whether we call it reexamination, whether we call it a post-grant review, bring it to the attention of the office in a timely manner to correct this.

One of the things the office can do is look at ways that administratively they can achieve many of the goals of the post-grant review. One aspect of it--and they indicated in 1995 when the Patent Office was first looking at rules for inter partes reexamination, even before Congress passed the statute that the one-fee-fits-all is, you know, kind of silly. Certainly if the reexamination is brought forth, it's simply

presenting art. The scope and magnitude of it is simply the same as order of magnitude as examining it again in light of this prior art that's been discovered through the examiner, why should the fee be considerably higher, an order of magnitude higher than the application fee? And one of the things the office can do by its rulemaking is set fees that are lower and encourage simplified reexamination when they want to bring art simply to the attention of the Patent Office.

Now, you may say why don't they just use the ex parte. There's an element of distrust in the software community that if they present the art, even if they put in a statement of how the art is relevant, the examiner may get snookered by the applicant saying it really doesn't mean that. And so this idea that if we toss in the art, we toss it in with a statement, and then we bow out of the proceedings doesn't seem attractive. But they don't want--these aren't people who want to do depositions or full-scale discovery or anything like that. And the office can recognize and by rulemaking put in such a thing.

The people out there in the software community are concerned about looking at patents

because, whether it's an urban legend, a bogeyman, whatever you want to call it, they're afraid that if they are aware of a patent--and certainly if they're going to contribute art for reexamination--that somehow if they get sued, they're going to be a willful infringer slapped with treble damages. And as such, there are software people who advise: Don't look at patents, because if you don't know it, then you can't be found as a willful infringer.

Anything that can be done to put a stake in the heart of that monster would help a lot, because you really want something where someone looking at a patent immediately after issue--it's easier to do on the Internet--will say, gee, I did something like that, let me collect what I have, let me send it off to the office, let me stay in the loop to make sure they're understanding what I've said, and let's get this patent corrected. It's good for the patentee because this may get developed in litigation. The claims are then narrowed to what the patentee should reasonably have. We should be encouraging that.

If the office goes this way to set up a system that encouraged that filing, then I and other people will do whatever we can to get people to

understand what reexamination is, to understand what patents are and what claims are, because there's a considerable misunderstanding about that.

Now, as an anecdote, when there was the fuss about the Amazon one-click patent and everyone on a news group was railing about how awful this patent was, I made the offer to--if people would submit prior art and say (?) that, I would put together a group of people who would handle the reexamination. I said I would even--the people objecting could collect for the fees. I would even handle the postage. No one took me up on it because when they started looking at it, they found that their art really didn't read on the invention as claimed as opposed to the invention as titled or the invention as abstract.

There's a need to understand this. Reexamination would be a good way for people to participate in the system and be less critical of it.

MR. TOUPIN: Thank you. We've had an admirable juxtaposition of different perspectives on the process. Would any of you like to comment on each other's views? Sir?

MR. WEGNER: I'd like to comment on the idea of the unlimited time for reexamination. Reluctantly,

I favor this, but there are three negatives to having an unlimited time for reexamination.

First, for the same reason in Schwinn v. Troxel that a licensee doesn't get his money back if he holds off in challenging a patent, there has to be an encouragement to file early; because if I've got a killer way of destroying a patent, as long as I act unilaterally I can sandbag that prior art or that issue and quietly develop my invention and have a shared monopoly. That's wrong.

Also, there has to be a time where there's quiet title. It will be a nightmare from hell for biotech companies if five, ten years down the road a 112 issue can be raised, and this is under standards of the examiner just makes a prima facie case of a rejection, you can lose title.

My solution to this is to say that after some fixed period, whether it's nine months, one year, or two years, any reexam commenced after that time would have a statutory presumption of validity. If you did this, you'd still be able to knock out patents with a 102 reference, a direct anticipation, but it would make it very difficult to do that under obviousness under 103 or a 112 formal matter's rejection. You

could still do it, make it more difficult, and if you add this statutory presumption of validity to a reexam filed after two years, or whatever fixed period you have, you would encourage opponents to shoot their weapons off before this deadline. Otherwise, I think you create a very unfavorable situation for patent owners that really is unnecessary.

MS. LINCK: You knew I'd want--

MR. TOUPIN: I thought that you were next.

MS. LINCK: Actually, I hadn't thought about the statutory presumption. I'm not sure I have a problem with that. But I would like to explain a little bit why for companies like mine, a small drug company, you really have to be able to challenge patents throughout their enforcement period.

When I joined Guilford back in 1994, Guilford was in the neurological diseases area with some work in the cancer area. We're still not profitable. We struggle for our existence. And so we're an opportunistic company. Today, we have an anesthetic in our pipeline. We cannot track and monitor every drug patent in every area. We can't afford to do it. It's just unfeasible. So if we move into a different area three years down the road, we may be stymied by

potentially invalid patents that are out there. It just would not make the reexam system valuable to drug companies like mine, and it's particularly important to drug companies because, as I explained to Jim, because of the long development period for a drug in which we invest hundreds of thousands of dollars, if not millions of dollars, we're not infringing a patent because we have Section 271(e)(1) protection; and yet if we identify a patent out there that could be a problem for freedom to operate, we can't file a DJ action. The only solutions we have are take a license--and the company may not be willing to do that--or file a reexamination.

So inter partes reexam is particularly important for companies like ours. It's particularly important that we be able to file one throughout the life of different patents. Thank you.

MR. TOUPIN: Jeff, I think you were next.

MR. KUSHAN: Yes, I think Hal has hit one of the tough issues that we have to resolve. It is entirely true that we need to have a fixed period for certain of the issues that could be opened up in reexamination proceedings, after which we really shouldn't have access to those issues. For example,

in particular in 112 issues, you know, as time passes--eight years ago things which maybe were not an issue in a 112 setting may be an issue today, and evidence, as it passes in time, takes on a very different stature relative to the point in time where the patent was granted. So, I mean, there are very legitimate reasons to look at 112 grounds if we're going to expand reexam to cover those and say those may be grounds we want to limit for a fixed period of time, after which either you cannot raise them or take the approach that the Patent Office has suggested, which is, you know, raising the proof level, maybe a DJ level of standing to raise that issue in front of the PTO.

Art issues I think are less risky to make available for the longer period of time, and that's because they are essentially fixed as a publication, and what relevance it may have is something that is a little bit more easily managed by the Patent Office. So maybe when we look at the constraints you put on a new system, you fix a period after which it simply cannot be raised without either--at all or absent a sufficient showing the 112 grounds. The art issues likely should be available.

The other point I wanted to make about the timing question, the shorter the period, the more perverse that the effect will be. If you know that you're going to have a window that lasts nine months, you may elect to start a proceeding even though it's not as commercially justified as you may want it to be. If you push the window out a couple years, presumably it may--well, I guess it could decrease the number of cases you have to deal with because people will sit back and say, all right, well, I can navigate that patent, or I'll do a deal, or something. If you push it out too far, then you run into the problem Hal has raised about quiet title.

But I think we need to look at the nine-month window and maybe push that out a little bit, maybe out to one or two years, and say that may be a more legitimate window of time and will give people enough time to really evaluate the patents as opposed to what we've seen in Europe.

So those are some initial thoughts I have.

MR. HOLLAAR: I think what Hal said is important, that certain things should be resolved very quickly after the patent is issued, and probably enablement is at the head of the list. This is

something where the longer you go before bringing that up, the more confused the record is going to be, because things which may not have been well understood at the time of the patent may 10 or 15 years later be really well understood, and an examiner looking at it says, well, I read it and understand it. It's hard for someone to go back 15 years in time. It's actually hard to go back even a couple years before the patent.

But having something where that remains something that can be brought up will just confuse the issue. If it's not enabled, it's not enabled, and it's not like you're looking for more art that is going to invalidate it.

On the other hand, it's very important for people to say when a patent issues that this document really doesn't teach how to do the invention and get people who are experts in the area to say, look, you know, I can't do it from this document, it takes a lot of experimentation. That's a very contemporary issue. It's one that needs to be resolved. It's one that doesn't work well either in court or dragging it out. And so if that's going to be thrown in, that's the perfect thing to say we get that. Then they have a

system, in fact, where the strength of the patent--the patent gets stronger over time. And it's not ridiculous to say that. We do that with trademarks where there's a period where it's easy to contest before they're registered. There's a period where they become incontestable, which doesn't mean they're incontestable, but it means you're limited on what you can bring up. And we should look at that as a good example of something that doesn't quiet title in one fell swoop, but it does it over time. The longer the patent survives, the stronger the patent becomes.

MR. VAN HORN: I'm somewhat constrained because I'm here on behalf of AIPLA, but I'll step out of that role for a moment to say that I'm not so sure about this timeliness feature, because I'm not so sure that the office cannot make as good or better a decision than a court can dealing with these same uncertainties about the level of skill of the art at a particular point in time. You have areas of technology now where it's four or more years before it's being picked up for the first office action, and probably five or more years before the patent is issued. There is a built-in delay just from the availability for reexamination of such a patent five

years from the time the invention was made or the application was first filed.

So I'm not sure that I buy into the complexity that is being suggested about patents being litigated on enablement issues at some period of time down the line. My belief is the PTO could probably do at least as good a job on the technical issues than a court.

MR. WEGNER: Charlie is absolutely right. You can determine--if you have a supergroup and examiners that understand timeliness and what is a time slice for judging. That wasn't my point. My point is, unlike prior art that you could find years later, any ambiguity or difficulty under 112 is apparent on the face of the patent. So you can examine that right away. So there's no reason not to impose a statutory presumption of validity at nine months, one year, or two years, whatever you arbitrarily pick. That's my point. But I agree with Charlie technically.

MR. KUSHAN: I also think the quiet title point is a separate factor, you know, taking as true that the patent office can handle the enablement question. I mean, if you're in phase three in a

product and you know that you're going to be launching it in 18 months or in a year, one thing you don't want to have to do when you go up to your executive committee is say, well, there's an unidentified risk factor here that we cannot address, and that is whether we're going to have the patent attacked on 112 grounds.

And maybe the real challenge in devising a system that's balanced is to find the right level of proof to start a proceeding while making the proceeding or the conditions available for a longer period of time. And that goes--I think at one point there was the concept expressed by the PTO--in I don't know what version of the strategic plan--of having kind of a standing requirement after a fixed number of years. And that may be the best way to kind of compromise between these two variables, because they are not--they're not exclusive--well, they are exclusive. They're separate grounds of concern. For biotech and for pharmaceutical companies, passage of time is a scary thing if there is still an open window and the patent can be challenged.

MR. TOUPIN: Well, the problem with a very lively panel is that they don't leave time for

moderators to ask questions.

[Laughter.]

MR. TOUPIN: We thank you very much for your participation. It was very useful. We appreciate it.

[Recess.]

MR. KATOPIS: Now, if we can, we'll move to Panel 3. We're going to go about 30 minutes, given that it's a small panel. I think the original plan was to allow the panelists just to give a statement, but I think we'll have some time, if the moderators want to give them some questions. I know we have at least one question from the audience we'd also like to submit to the panel.

With that said, I'd like to welcome Kristin Vidovich. She's from the firm of Oliff and Berridge in Alexandria, Virginia. She is in their IP practice. They count Xerox Corporation as one of their may clients. Kristin is also a former patent examiner.

Fred Williams is a partner with Burns and Levinson here in Washington, D.C., and he is co-chair of the firm's Intellectual Property Group. He has 27 years of experience in patent prosecution and litigation and in other areas of intellectual property law.

Finally, Manny Schecter is corporate intellectual property counsel at IBM's headquarters in Armonk, New York. Mr. Schecter has been with IBM for more than 20 years. And as you know, IBM regularly tops the USPTO's list of patent recipients every year.

So we're glad to have them all with us, and with that I'm going to turn it over to the moderator.

MR. KUNIN: Okay. Thank you, Chris.

Kristin, would you like to begin?

MS. VIDOVICH: Okay. Good morning. My comments are going to echo what you've already heard inevitably because a lot has been already discussed this morning. My comments are on behalf of Oliff and Berridge as well as Xerox Corporation.

Although there are numerous troubling issues regarding inter partes reexams that are worth discussing and that we have discussed, I want to focus on two in particular that I believe discourage the greater use of the reexamination system. The first is the overbroad and ambiguous estoppel provisions, and the second is the impractical and unreasonable 30-day time limitation of 1.947.

The first estoppel in the statute is found in the term "raise." This prevents the third-party

requesters from presenting previously raised, possibly still invalidating, prior art. Congress put this in as a safeguard aspect. Understand that. Patent owners should not have to relitigate issues that have already been decided. The problem is when you have that estoppel combined with your 30-day limitation, the third-party requester raises a prior art issue, doesn't get to effectively present that prior art issue, and then is estopped from raising the issue again. What we need to do is to keep the estoppel against relitigating already decided issues, but need to provide sufficient time to present the issue properly in the first place.

The second estoppel is found in the phrase "could have raised." This prevents a third-party requester from presenting any new and possibly invalidating prior art. Again, there was a safeguard aspect here for "could have raised." I believe that the intention was that Congress wanted to avoid a third-party requester having a stack of art and presenting one piece at a time, harassing the patent owner. The problem is that that "could have raised" phrase doesn't have a definition. Exactly how extensive does your prior art search need to be? As

people have mentioned, there's an escalating amount of prior art literature, an enormous number of databases, and almost countless number of languages in the world. And, theoretically, any piece of prior art could have been raised--unless, of course, it wasn't issued or published.

Now, Congress attempted to get around this by putting a loophole in the statute, saying that, okay, well, you can raise an issue if it was newly discovered but previously unavailable. But there are three problems with that. Newly discovered, again, how extensive does your prior art search need to be to meet that criteria? And then it has to be unavailable not only to the third-party requester but also to the office. That's two different groups of people. An example of a prior art that would be available to the office--one of my colleagues at the firm was talking about this--would be, for example, the Digest. They no longer have the paper copies of the Digest in the public search room. And if they're really old, you can't get it on the PTO website search. So the office would be aware of the Digest, people who have been there for a long, long time, but the third-party requester would not.

So Congress did define prior art that was unavailable, as Lance had mentioned, as prior art that is not known to the individuals. But you've got the same problem. Not known because it was unpublished? Or not known because the third-party requester did not find it in a search?

There's no clarification from the court for "could have raised" or "unavailable." Given the effective filing date requirement of November 29, 1999, reexam has not reached the Federal Circuit and is not likely to any time soon, inter partes, for example.

There is no clarification from the Patent Office. One comment to the office about the "could have raised" problem was addressed by the office as, "We don't want to give an all-encompassing definition. That is a case-by-case basis decision."

So, in the end, the third-party requester has to guess as to the definitions of the terms "could have raised" and "unavailable" and as to their effects. There's no guidance from Congress or from the courts or from the office. This is clearly inequitable.

Instead of acting as a safeguard, these

estoppel provisions have instilled fear into companies such that inter partes reexams are actually avoided as a means of eliminating invalid patents.

My suggestion is to estop one from asserting issues that were actually raised, but increase the time so that the third-party requester can raise the issue properly, but remove the "could have raised" unless a standard is added, such as the Rule 56 standard. You can't raise something that was in your possession or of which you were aware. At least there would be some guidance already available, as there is the Rule 56 guidance.

It is vital to urge Congress to provide a fair, realistic, and unambiguous estoppel rule in order to accomplish the essential goals of the system, which was equitable, cost-efficient, yet effective alternative to litigation. We do need to protect the patent owner from harassment. We also need to prevent the enforcement of invalid patents.

Thank you.

MR. KUNIN: Fred?

MR. WILLIAMS: I think any reasonable systems analysis of the patent system would suggest two things: number one, that we don't want to spend money

on an initial examination which is exhaustive. There are too many patents which never amount to anything from an economic standpoint, perhaps as many as 95 percent of them, and doing an exhaustive examination on those 95 percent is certainly folly. However, one does need, I think, a second check of some sort or other to police the 5 percent or fewer that actually have some economic validity. And an effective post-examination system is, I think, an absolute necessity to prevent economic chaos in that area. What that is exactly I think we'll find out in the coming years.

The current inter partes reexamination system suffers from a few major flaws, most of which have been pointed out here today. I think that one of the biggest of them is that certainly in evaluating it and gaining experience with it is the applicability provision, applying only to patents filed on original exempt--patents issued on original applications filed on or after November 29, 1999.

As in my printed remarks, as my printed remarks will show, I did a really back-of-the-envelope calculation of how many patents are subject to inter partes reexamination in comparison to how many patents are actually in force at the current time, with some

very gross assumptions, and I came out with a figure like 6.25 percent. This leads to a ratio of patents available for reexamination to patents in force of something like a factor of 16.

If you look at the numbers cited in the notes that were handed out to us, the ratio between ex parte reexamination requests during the time period cited and inter partes reexamination requests during the same time period is approximately 9 or 10 to one. I think the unavailability of--the unapplicability of the system to those almost 95 percent of issued patents explains entirely the discrepancy between the numbers that are--of which inter partes reexamination has been filed compared to ex parte reexamination.

There are other glitches with the system. However, I don't think it's really necessary to get to those to explain the difference.

My firm represents primarily small companies. I think most of you have largely got experience with representing big companies, and with the exception of Michele Cimbala and Nancy Linck, I really didn't hear very much comment on the preceding remarks about the trials and tribulations of small companies. I think Nancy Linck's company is probably at the higher end of

size of what we represent. We represent start-ups, companies barely subsisting on venture capital, people who have moved into a stronger position but are still pre-IPO, and then mainly, you know, small cap companies and people who can barely edge their way onto the Nasdaq.

For those companies, litigation is almost always a company buster. The amount of expense necessary to litigate a patent, even when you are 100 percent right, is--it's prohibitive, really. So that inter partes reexamination is a very attractive option, notwithstanding its warts for small companies. And I would like to see this applicability provision removed so that the procedure, whatever it is, is applicable to patents--all patents in force, basically.

One of the reasons for that being critical to the kind of companies that I represent is that older patents tend to be, I think, the more basic ones in the technology. I'm working with a situation right now where a company has patents that are even still in the published application stage. There are 17 issued patents and probably another seven or eight pending applications that have been published. However, the

only thing that really troubles my client is two patents which were issued in 1993. We couldn't possibly attack those with inter partes reexamination, as I've already discussed.

So, you know, older patents tend to be the ones that have the most basic claims in them or the broadest claims and tend to be the most problematic for somebody trying to enter into an area of technology.

I have not done an inter partes reexamination, but we did a major ex parte reexamination for a client a couple of years ago, and this brings me to comment on how authoritative your prior art search would have to be. When an opposing patent is potentially a company buster, you have to go all out, and $150,000 to $200,000 of expense for an ex parte or inter partes reexamination is--it makes people wince, but it's not a company buster. Two million bucks in litigation would be. But I think that when you do this, if you really only have one bite at the apple, as is probably going to be true in most instances, you have to do the most exhaustive examination that you can possibly get your hands around, including all foreign languages that you can

think of, including Japanese, which is a nightmare, and find everything that's possibly out there.

We were in a situation where I had to send people back and forth to the NIH library checking references that turned up only in footnotes of other references. And, you know, we spent a lot of money, and we got a good result. So I think that, you know, you're kidding yourself if you think you can do less than an exhaustive examination and get the appropriate result for your client.

Finally, I think the estoppel provisions that are giving people so much grief, I think in some way or other they amount to a kind of due process thing. And I think that, you know, one possible--and I just throw this out for consideration. One possible way to alleviate the perceived due process problem would be to amend Section 315(a) and 315(b) to add the route of appeal that's available in Section 306, I think it is, namely, to the United States Court of Appeals for the D.C. Circuit. And in that amendment, which would be to expand the applicability of Section 145, you could provide for things like, you know, discovery and even, you know, if you were so rash, jury trial.

So I think there are routes around the

estoppel provision which could give a third-party protester and a patent owner sufficient rights to the kinds of remedies and procedures necessary to satisfy that person's instinctive need for due process. I think with respect to the applicability of prior art in reexamination proceedings, it needs to be expanded especially to include non-traditional prior art such as public use and public knowledge. And there are proceedings in the Patent Office to encompass such issues, but only before issue. But there are procedures that could be applied almost whole and entire to patent reexamination which could take into account those issues.

I have a paper coming out in the spring 2004 issue of the AIPLA Quarterly which expands on many of these--on some of these issues, and if anybody wants a pre-print copy of that, I have a handful with me.

Thank you.

MR. KUNIN: Thank you, Fred.

Manny?

MR. SCHECTER: Good afternoon. It didn't surprise me that I got introduced as being from the company that received the most patents last year, but I want to start out by just saying that common to what

you might be thinking--or contrary to what you might be thinking, sorry, my perspective isn't one of wanting to make sure that all of IBM's patents are valid. The fact of the matter is--we want our patents to be valid, of course, but the fact of the matter is we see things from both sides, obviously as a company that enforces its patents, but also as one that frequently has others at least attempt to enforce patents against IBM. So from our perspective we seek what we think to be balance in this subject matter, albeit perhaps not the same size client as Fred described that he typically represents.

We all agreed before we began speaking that it's hard at this point to be somewhat fresh on this topic, so it's not going to surprise you that I'm going to cover a few things that we've heard already. I'm going to try not to talk about estoppel because that seems to be the one on everybody's list. That doesn't mean it's not of concern to us. I think many of the issues that I've heard resonate quite well with me as well.

But I would like to go on and talk about a couple of other things. The first one I'd like to talk about was somewhat touched upon, but not exactly,

and that is that some people have said, well, it doesn't really matter what we call this, whether it's inter partes reexam or post-grant review or opposition. I'd like to maybe extend that discussion just a bit further. I don't know that we really need to have one way of challenging the validity of a patent in the Patent Office. I know there are reasons for trying to make things as simple as possible. But we don't have just one way of correcting defects in patents. We have certificates of correction. We have reissue, whatever. There's no reason why we have to have one procedure for challenging validity.

In fact, it might do us well to have more than one procedure to help us flesh out what works and what doesn't, and then maybe later, after we've figured that out, then we can talk about possibly getting to that one procedure that we would all really like to have. But I don't know that we need to start out with one procedure just because, you know, we don't know what to call it.

I would like to talk just for a few minutes about something that I thought was going to go largely unspoken of until--I think it was Hal Wegner caused a fair amount of discussion on it in the last panel,

which is the amount of time permissible for one to file some sort of challenge to validity here. I'm really talking about now--we can talk about either procedure that we talked about, that I referred to a minute ago, whether we're talking about inter partes reexam or some sort of opposition practice. Obviously IP reexam is already in place.

But the point I want to get to is I have a lot of sympathy for both wanting to have quiet title--I honestly do--but at the same time I think we have to watch out and have balance here. If we have a process that is modeled after Europeans, where we have a strict nine-month time to file some sort of challenge, we will end up with a procedure where its use will be somewhat limited. We will have some of the same problems we have now--not as bad, but we will have some of those problems.

If we want an effective procedure to challenge patents, we have to make it one that is available for people to use. And I would submit that telling somebody ten months after a patent's issued that they can no longer challenge it under certain procedures is, in at least some cases, somewhat unjust.

I think I heard somebody earlier today say that it's hard to predict the future of a company. In fact, if we were to limit the time in which one could challenge the validity of a patent, what you're really telling the executives of a business is we want you--you need to predict your business 20 years in the future; you need to be able to account for 20 years' worth of your business in those nine months, or whatever that time limit is going to be.

In addition, I think you need to think about the fact that if we were to have a hard time limit, there's nothing that stops a patentee from simply waiting until the end of the time limit if the patentee is concerned about that avenue of challenge. So if the time limit is too short--let's say it were nine months, no exceptions, the patentee could wait the nine months.

So, in sum on this subject, I think we need some balance. I'm not suggesting that we have necessarily an unlimited time like IP reexam if we have a second procedure or a model procedure that we ultimately get to. But there needs to be some other avenue beyond the nine months to get us--to allow us to challenge the validity of a patent.

I'd also like to talk about real party in interest. In IP reexam, we reveal the real party in interest. If one has been sued, one is close to suit and is bringing a challenge to a patent, it may well be clear that you are the party that's bringing that challenge. It may even be necessitated by what you want to challenge--what the arguments you want to bring on that challenge are.

But if a patent has issued and you're in a very short time constraint during which you have to bring a reexam, and, in fact, you're considering bringing that reexam because you have a patent that you may be concerned about, bringing the reexam in which you have to reveal your identity, you are basically painting a great big bull's eye on your corporate logo for the other party to come after you. That is a major impediment to the use of some of these procedures. We need to think about that.

One possible solution might be--if this becomes a sticking point, throw this out--might be to allow the Patent Office to act as the screen. So if we have points where we want--where we need the challenger to identify themselves, they could identify themselves to the Patent Office, not necessarily to

the other party.

Finally, I think people touched on it already, but I think I would favor some sort of expanded grounds for review. Now, this could be, along with some of the evidentiary issues that I've heard about--discovery and oral testimony--this could serve as the difference between IP reexam and a second proceeding that would be permissible and parallel, much the way you have, as I mentioned before, multiple ways to correct a defect in a patent. So the end result might be that you have two tracks that are available, and downstream you might take those two tracks that are suited for different things, and you might merge them once you figure out how to make them work.

Thank you.

MR. KUNIN: Thank you. We have a couple of questions that have been received from members of the public here that we'd like to ask the panelists. And maybe what I should do is ask Manny this first question, which I think is a natural follow-on to something you just said.

The question is: In our personal experience, anonymity has been an important factor in choosing the

ex parte route because our client requesters often fear reprisal from the patent owner, who could retaliate in a variety of ways, such as refusing to license important patents or making licensing terms more onerous. Do the panelists agree that it's important to preserve an anonymous route of reexamination in view of these concerns on the part of the requesters?

MR. SCHECTER: Well, I'll be happy to start, and I wholeheartedly agree.

MR. KUNIN: Well, you said earlier that you thought that maybe having the PTO act as a screen would be one way to adjust the problem of potential harassment of the patent owner.

MR. SCHECTER: Correct. That's correct.

MR. WILLIAMS: Can I--

MR. KUNIN: Sure, sure.

MR. WILLIAMS: First of all, just to crack a little joke, I think it's really hard for IBM to be anonymous, even if there's a screen. But I'm morally certain that if I see an ex parte reexamination and I look at the name of the attorney who's lead counsel and I run that attorney's name through the PTO search system and get a list of assignees of patents that

that attorney has prosecuted, I can figure out who the real party in interest is.

MR. SCHECTER: In some cases, that would probably be correct. I can't deny that.

MS. VIDOVICH: I'd like to add one more thing.

MR. KUNIN: Sure.

MS. VIDOVICH: I agree with Fred, and also, this is supposed to be--investing in a prior reexam is supposed to be an alternative to litigation. The parties are known there. They should be known here.

MR. KUNIN: Okay. The next question is: Is the real property notion of quiet title an apt analogy for intangible patent rights in view of the fundamental differences between the property involved?

MS. VIDOVICH: Could you repeat that?

MR. KUNIN: Yes. The question basically is: Since quiet title is principally associated with things like real estate, with intangible personal property is this really an apt analogy? Or is there some other way to look at the issue?

MR. SCHECTER: I don't know if it's an apt analogy--apt analogy, that's a tongue twister--but there is at least some difference. In some of the

situations, one's failure to act acts as a loss of a benefit. Here as a challenger, one's failure to act actually is a detriment to you. It's not quite the same thing. So, to me, maybe it's not a proper analogy, though I certainly haven't thought it all the way through.

MR. WILLIAMS: You know, I think to some extent this is a very ethereal, hypothetical issue because currently the kinds of problems which would give rise to the application of this analogy are not there in reexamination. I mean, we're talking about things like Section 112 issues--enablement, written description, and so on. We don't have them in the system yet, so I think it's a little premature to start talking about when there should be quietude with respect to these issues.

I think quiet title is not an analogy which should be used. I think, you know, maybe we should think of it in terms of laches of statutes of limitations or something like that. But I think murking this up with real estate analogies probably would just confuse people.

MS. VIDOVICH: I also don't think quiet title fits in here. You never really have quiet title.

Somebody can wait until the last year and then infringe and sue. There's always fear that somebody is going to challenge a patent.

MR. SCHECTER: I'd just like to add, I don't worry so much about the analogies here. We need to do what's right for the public, not worry about the analogies to the rest of the law.

MR. KUNIN: Let me ask the panelists a more detailed question with respect to merge proceedings. On one of the panels, one of the panelists was explaining that, in fact, some of the aspects of the current merge proceedings actually cause somewhat of abuse of the process, particularly with respect to where parties involved in inter partes reexam jump track to ex parte reexam and try to use multiple ex parte reexam filings where you can do it anonymously to essentially abuse that process, but essentially try to get a merger of those kinds of proceedings.

Do you see, for example, complications with respect to if you even had a post-grant review of having a merge proceeding with inter parte reexam, especially if inter partes reexam was done at the examiner level, but post-grant review is initiated at the board level? You have perhaps different bases for

participation, different grounds under consideration, a different office official. Do you have any comments with respect to your views of a workable way of doing merger or perhaps maintaining separated proceedings with stay of one or the other?

MR. SCHECTER: I'll throw something out. I don't have anything really specific. I do think that if we have multiple proceedings that good lawyers are going to find ways to exploit them. But I'd like to see some discretion given to the Patent Office in that regard.

MR. WILLIAMS: I think that no matter what system you have that smart lawyers are going to game it to get the best result they can. However, you could have prohibitions or stays on ex parte reexamination while an inter partes proceeding on the same subject matter is pending. You could also keep separate reissue proceedings and reexamination proceedings. I mean, I think it's difficult to do these things cleanly without doing major violence to the system.

MS. VIDOVICH: I don't think they should be merged, especially if you've got different issues such as a reissue and then an inter partes reexam. They're

just too different, and so putting them together, I think you lose the intent of both of them. You end up with some third creation.

MR. KUNIN: There has been some mention of certain aspects of foreign post-grant proceedings that we shouldn't model any new system on, but are there any best practices that any of you have seen in foreign practice post-grant review that ought to be considered if such legislation were brought forth in Congress?

MS. VIDOVICH: This doesn't quite answer the question, but in Japan they did have a limited term opposition. But apparently that's been abandoned for an unlimited term. And I'm not sure whether limited or unlimited, which will--I think unlimited would be better. But it would be good to see why they abandoned their limited term--What happened? What was the basis for that?--before the USPTO adopts some limited term. What happened in Japan?

MR. WILLIAMS: With respect to the European Patent Office, which is what I know the most about, there are two aspects of it that I would like to point out to people. The first, and perhaps the least applicable to the question, is that in Germany there

is a court in Dusseldorf which is charged primarily with determining patent validity, and it's not the same court in which you litigate infringement issues. But I am told by my German correspondents that you can litigate validity in Dusseldorf for numbers like 150,000 euros because there's precious little discovery and precious little oral testimony.

That's the primary reason why at least German firms don't go into opposition as much as they otherwise might. And you can do it--I don't know what the time limits are, but they're certainly not nine months. And so there are alternative ways in Europe to determine validity, which in some respects are preferable to opposition.

Secondly, in the European Patent Office, there is a pre-issue procedure called observation, and it functions a lot like inter partes reexamination in the sense that--well, of course, the proceedings in the EPO are a lot more transparent in the first place, but once you get a published application, a third party can put in prior art and argue that prior art with the examiner, and we've done that and it's been very successful.

So, you know, I think one thing that perhaps

the Patent Office ought to think about would be opening up the post-publication pre-issue part of a patent's pendency to such challenges.

MR. KUNIN: But doesn't that violate the statute?

MR. WILLIAMS: Well, you'd have to change the statute.

MR. KUNIN: Okay.

MR. WILLIAMS: But, I mean, most of what we've been talking about requires statutory changes.

MR. KUNIN: Yes. Thank you

We have one additional question. At the earlier panels, there was a discussion with respect to what the threshold might be in a post-grant review proceeding. In inter partes reexam, much like with ex parte reexam, the standard is substantial new question of patentability. For post-grant proceedings, should it be a comparable standard or should there be a showing of prima facie unpatentability as to at least one claim?

Nobody wants to take that?

MS. VIDOVICH: That's a good question.

MR. SCHECTER: I personally don't have a strong opinion on that. We clearly need to have a

threshold that needs to be looked at. I am less concerned with precisely what the threshold is than I am with we have to have a threshold that has to be achieved.

MR. WILLIAMS: It's not obvious in any event what the difference is between those two thresholds.

MR. KUNIN: Well, let me just embellish a bit. In post-grant review, if the system were to allow a discovery phase in advance of a patentability determination phase, then one of the detriments with respect to not having a standard of at least prima facie unpatentability as to one claim is that it could be a proceeding which is subject to abuse, because you could have a very low threshold of a fishing expedition just to engage the owner in some extensive amount of discovery to find a ground for which to actually proceed under the post-grant review.

So it's only from the perspective of whether you would have that kind of a limited discovery phase in a post-grant review system.

MR. WILLIAMS: Well, I think having discovery in such a proceeding is a bad idea just in general, at that phase of it, at least.

MR. SCHECTER: I agree. You certainly won't

achieve your objectives for faster, simpler, cheaper if you're going to allow discovery before you even get to the issues.

MR. WILLIAMS: It really undermines the rationale for the whole system, I think.

MR. TOUPIN: One of the panelists earlier mentioned that a proposal that PTO has out on a post-grant system would have oppositions lasting the life of the patent, but after an initial period, condition a petitioner's bringing it upon the showing of some economic stake.

Given the interests that have been stated earlier in balancing the quiet title interest versus the availability of new entrants to be able to challenge existing patents throughout the life of the patent, does that seem to be a reasonable balance? Or are there other approaches that would be more fruitful?

MS. VIDOVICH: I don't see it as reasonable. I don't see why that has to be changed. As the system has been, you can challenge a patent for its entire term. I don't see why it has to be different at this point.

MR. WILLIAMS: You know, it would have to be

a pathological situation which I can't conjure up in which somebody would spend the money and the grief necessary to do one of these proceedings if it didn't have an economic interest. So I think it's redundant.

MR. SCHECTER: First, let me just say I understand you to be referring to the provision in the strategic plan that allows you four months from apprehension of suit, at least that's the way I remember it, to bring some sort of a challenge after the initial 12-month period that was defined in the strategic plan.

I don't have a problem with a compromise that goes to some financial stake if that's what it takes to make something work here, even though it makes me a little bit nervous to know that we're going to be able to define that properly. Four months from apprehension of suit to me is just not commercially reasonable. The fact of the matter is that there are lots of times where patents that are asserted against us, I can't get the opposing counsel on the phone in four months, much less figure out where I stand. So the time constraints would have to make it be revised.

You also asked are there other possible constraints, and I've seen or heard of lots of them,

by agreement of the parties, simple hard numbers of times you can challenge, progressively larger fees. I'm not suggesting that any of these things are the right solution. The one that you're focused on may very well be acceptable. But there are lots of alternatives, and they may even work in some combination. To me, what you need to do is get a full airing of all of those different alternatives.

MR. KUNIN: Thank you very much, and we thank the panelists for volunteering to join us today.

Chris?

MR. KATOPIS: Likewise, I'd like to thank everyone for a very full airing of a robust expression of views, which is what the USPTO wanted to accomplish today. Thank you all. The comments will be put on the website, and ultimately everything will be included in the report that we submit to Congress later this year.

And before I close, I just want to also thank the contributions of two other--there are several PTO people here, but two other members of the External Affairs team, Ms. Gore and Ms. Gray, who were very generous to help us with today's proceedings.

So with that said, thank you all, and we look

forward to continuing to hear from you regarding our Strategic Plan and the initiatives within it.

Thank you all.

[Whereupon, at 12:30 p.m., the meeting was concluded.]