
Post-Grant Opposition: A Proposal and a Comparison to the America Invents Act

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The patent system is designed to promote innovation. But the U.S. Patent and Trademark Office (“PTO”) cannot devote the resources necessary to grant only valid patents. This Article explores one mechanism to address this challenge: a post-grant opposition procedure that would allow any party to challenge a patent after it is issued. It explains why such a system is superior to other alternatives, such as improved PTO review, litigation, or reexamination.

An opposition system offers numerous benefits. It targets the most valuable patents, increases access to competitors’ information, reduces the number of invalid patents, and provides a quicker and cheaper determination of validity than litigation. In the deluge of patent applications confronting the PTO in the 21st century, an effective post-grant opposition system promises to promote innovation.

Shortly before this Article went to press, Congress had passed the America Invents Act, patent reform legislation that included a post-grant opposition procedure. This Article offers a preferred opposition regime that serves as a counterpoint to the system the legislature enacted.

The elements of the opposition process determine whether it will be fair to patentees and challengers. As a result, this Article sets forth numerous details of my proposed opposition system, including (1) the threshold a challenger must clear to commence an opposition, (2) the timing of the process, (3) the grounds on which a patent can be challenged, (4) the nature of the required evidentiary showing, (5) the procedure’s judges and appeals, (6) the materials that can be introduced in the proceeding, (7) the

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disclosure of the requester's identity, and (8) the preclusive effect of an opposition. In particular, this Article critiques the provisions of the America Invents Act that address the threshold showing a challenger must make, the timing within which a challenger must file, the disclosure of the real party in interest, and estoppel.

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INTRODUCTION

The patent system is designed to promote innovation. Patents give their owners a right to exclude others from making, selling, or using an invention for a period of twenty years.¹ Inventions covered by valid patents could foster innovation. In contrast, invalid patents threaten to increase prices and limit competition without any countervailing benefits. With an increase in patenting in recent years, this problem has become more urgent.²

The process by which the U.S. Patent and Trademark Office (“PTO”) grants patents is particularly important in reducing the number of invalid patents. But that mechanism is far from perfect. This Article begins by detailing difficulties with the application process that explain the issuance of invalid patents. It then shows why these difficulties are not effectively addressed by other means, such as litigation or patent reexamination. Litigation is not an ideal alternative because of its costs and the parties’ unequal incentives.³ In addition, both types of patent office reexamination are plagued by characteristics that have minimized their use.⁴

Given the inadequacy of these alternatives, this Article demonstrates the benefits of a post-grant opposition system. Such a system allows any party to challenge a patent after it is issued. It provides a quicker and cheaper determination of validity than litigation. It targets the most valuable patents. It allows the PTO to access important information held by competitors. It reduces uncertainty, thereby encouraging investment and commercialization. And it reduces the number of invalid patents.

At the time this Article went to press, Congress had recently enacted the America Invents Act.⁵ The legislation includes a post-grant opposition procedure by which a third party can request review of a patent if it is “more likely than not” that at least one challenged claim is not patentable.⁶

Part I of this Article explains difficulties with the patent application process. Part II explores options that could improve the process. It

¹ 35 U.S.C. § 154 (2006).

² U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, U.S. PATENT ACTIVITY: CALENDAR YEARS 1790 TO THE PRESENT 1 (2008) [hereinafter USPTO, U.S. PATENT ACTIVITY], available at http://www.uspto.gov/go/taf/h_counts.pdf.

³ See *infra* Part II.B.

⁴ See *infra* Part II.C.

⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 35 U.S.C.).

⁶ *Id.* sec. 6(d), § 324(a), 125 Stat. 284, 306.

highlights difficulties with improved PTO examination, litigation, and reexamination, and it concludes by underscoring the benefits of a post-grant opposition system. Part III sets forth numerous details of a proposed opposition system, including (1) the threshold a challenger must clear to commence an opposition, (2) the timing of the process, (3) the grounds on which a patent can be challenged, (4) the nature of the required evidentiary showing, (5) the procedure's judges and appeals, (6) the materials that can be introduced in the proceeding, (7) the disclosure of the requester's identity, and (8) the preclusive effect of an opposition.

Given that Congress recently enacted one version of a post-grant opposition system, the issues presented in this Article are timely. In particular, if the enacted version proves to not be sufficiently utilized, this Article advances a more expansive version that would give the PTO a more effective tool to address the deluge of patent applications in the 21st century.

I. PATENT APPLICATION PROCESS

To receive a patent, an inventor files an application with the PTO. The PTO assigns the application to an examiner who specializes in the field of invention.⁷ The examiner then searches for printed publications, previously issued patents, patent applications, and related inventions (together known as "prior art") that help in determining whether the application meets the requirements of patentability.⁸ In particular, the examiner determines if the invention is novel, useful, and not obvious to a person in the relevant field, and if it would enable others to recreate the invention.

The challenges facing PTO examiners have increased in recent years. In the 1980s and 1990s, courts dramatically expanded the range of patentable subject matter by holding that inventions related to biotechnology, computer software, and business methods could be patented.⁹ This development partially explains the increase in patent applications.¹⁰ In 2010, more than 1.1 million applications were

⁷ 4 DONALD S. CHISUM, CHISUM ON PATENTS § 11.01 (2005).

⁸ MPEP § 904.02 (8th ed. 5th rev., 2006).

⁹ See *Diamond v. Diehr*, 450 U.S. 175, 185, 187 (1981) (software); *Diamond v. Chakrabarty*, 447 U.S. 303, 305, 318 (1980) (biotechnology); *State St. Bank & Trust Co. v. Signature Fin. Grp.*, 149 F.3d 1368, 1369 (Fed. Cir. 1998) (business methods). Before receiving a patent, an applicant must also show that the invention satisfies the other patentability requirements.

¹⁰ See USPTO, U.S. PATENT ACTIVITY, *supra* note 2, at 1.

pending examination, with 725,000 not having received a preliminary examination.¹¹

In addition, the length and complexity of patent applications has increased in the past quarter-century.¹² Despite this development, production quotas were not updated between 1976 and 2010.¹³ On average, each patent examiner was expected to process 87 applications per year at a rate of 19 hours per application.¹⁴ Within this period, examiners had to read the application, search for prior art, communicate with the applicant, evaluate patentability, and write up their conclusions.¹⁵

The *ex parte* nature of the process, by which only the applicant communicates with the examiner, exacerbates the problem. To reject an application, the examiner must discover prior art. Although the applicant has a duty to disclose information that is known and material to patentability, it is not required to search for prior art.¹⁶ The examiner must rely on the good faith of the applicant in discovering the universe of relevant prior art.¹⁷

The challenge of locating prior art is particularly acute in certain areas. PTO examiners may rely on only the agency's three computer systems — Examiner's Automated Search Tool, Web-Based Examiner

¹¹ 2010 USPTO PERFORMANCE & ACCOUNTABILITY REP. 127 tbl.3, available at <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf> [hereinafter USPTO, 2010 REPORT]; *Unreasonable Patent Applicant Delay and the USPTO Backlog*, PATENTLYO, (July 9, 2010, 3:11 PM), <http://www.patentlyo.com/patent/2010/07/unreasonable-patent-applicant-delay-and-the-uspto-backlog.html>; see also USPTO, 2010 REPORT, *supra*, at 18 (describing backlog of more than 726,000 utility, plant, reissue, and design applications in 2010).

¹² The average number of claims at filing increased from 18 in 1999 to 24 in 2002. OFFICE OF INSPECTOR GEN., U.S. DEP'T OF COMMERCE, FINAL INSPECTION REPORT NO. IPE-15722, USPTO SHOULD REASSESS HOW EXAMINER GOALS, PERFORMANCE APPRAISAL PLANS, AND THE AWARD SYSTEM STIMULATE AND REWARD EXAMINER PRODUCTION 17 (2004) [hereinafter OIG, REPORT], available at <http://www.oig.doc.gov/OIGPublications/IPE-15722.pdf>.

¹³ U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-05-720, INTELLECTUAL PROPERTY: USPTO HAS MADE PROGRESS IN HIRING EXAMINERS, BUT CHALLENGES TO RETENTION REMAIN 29 (2005).

¹⁴ *Id.* at 28.

¹⁵ FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 9-10 (2003) [hereinafter TO PROMOTE INNOVATION], available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

¹⁶ 37 C.F.R. § 1.56(a) (2008). Pursuant to a duty of candor, applicants must disclose information of which they are aware that is "material to patentability." *Id.*

¹⁷ Russell E. Levine et al., *Ex Parte Patent Practice and the Rights of Third Parties*, 45 AM. U. L. REV. 1987, 1991 (1996).

Search Tool, and Foreign Patent Access System.¹⁸ These systems provide access to U.S. patents, recent patent applications, and foreign patent abstracts.¹⁹ But they do not offer comprehensive databases of product sales or non-patent published materials. And in most cases, due to security concerns, examiners cannot use the Internet for research.²⁰ These restrictions cause significant difficulty in locating prior art, as evidenced by the “strong comparative disadvantage” to using non-patent prior art or foreign patents.²¹ Examiners, for example, accounted for 41% of citations to U.S. patents but only 10% of citations to nonpatent prior art.²²

The difficulties of locating prior art historically were aggravated by the systematic pro-patent bias built into the system. Examiners received credit for only certain actions, such as the allowance or abandonment of applications, as well as the examination of new applications known as “first office actions on the merits.”²³ They did not receive credit for other activities such as advisory actions, examiner interviews, or actions on the merits after the first action. In February 2010, the PTO implemented changes to its “count” system (which measures examiner productivity) that addressed many of these deficiencies.²⁴ Despite these changes, it is too soon to tell if the bias problem has been ameliorated.

Courts that analyze patents often conclude that they should not have been granted. According to one oft-cited study, courts have

¹⁸ MPEP, *supra* note 8, § 902.03(e).

¹⁹ *Id.*

²⁰ *Id.* § 904.02(c). Examiners “must restrict search queries to the general state of the art unless the [PTO] has established a secure link over the Internet with a specific vendor to maintain the confidentiality of the unpublished patent application.” *Id.*

²¹ Bhaven N. Sampat, Determinants of Patent Quality: An Empirical Analysis 2-3, 11 (Sept. 2005) (unpublished manuscript), *available at* <http://www.immagic.com/eLibrary/ARCHIVES/GENERAL/COLUMBIA/C050902S.pdf>.

²² *Id.* at 8.

²³ Randolph A. Smith, Smith Patent Office, in conjunction with Miyoshi & Miyoshi, Presentation on USPTO Examiners Performance System and Strategy Tips for Improving the Value of Your Inventions, slide 18 (Nov. 22, 2005) [hereinafter Smith, USPTO Examiners] (on file with UC Davis Law Review); see Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast*, 14 BERKELEY TECH. L.J. 577, 607 (1999). Examiners also receive credit for writing an Examiner’s Answer in response to an appealed application. See Smith, *supra*, slide 18.

²⁴ Press Release, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Recently Announced Changes to USPTO’s Examiner Count System Go Into Effect (Feb. 18, 2010), *available at* http://www.uspto.gov/news/pr/2010/10_08.jsp; see also OIG, REPORT, *supra* note 12, at 24-28; Merges, *supra* note 23, at 607; Smith, USPTO Examiners, *supra* note 23, slides 8-10.

found that 46% of patents litigated to judgment are invalid.²⁵ The importance of the patent application process is magnified given the prevalence of, and harms created by, invalid patents.

The PTO grants many invalid patents that stifle innovation. What can be done? The next Part will examine the four primary options.

II. ALTERNATIVES FOR IMPROVING PATENT EXAMINATION

We have four choices in addressing invalid patents: (1) fixing the initial review of patent applications, (2) relying on patent validity litigation, (3) using the current forms of reexamination, or (4) instituting a new post-grant opposition procedure. In this Part, I demonstrate the difficulties with the first three options and explore the promise of the fourth.

A. Initial Review

One way to reduce the number of invalid patents is to ensure that they are not granted in the first place. While that is a tall order, additional resources would help solve the problem by allowing examiners to devote more time to each application, increasing the likelihood of reaching the correct outcome.²⁶ Given the powerful negative effects of invalid patents, the economy would benefit from eliminating many of them.

The first problem with this solution, however, is its exorbitant cost. Nearly 4,500 patents are issued every week.²⁷ To increase average examiner time per application could cost as much as \$13 to \$15 million per hour.²⁸ Even if a more rigorous examination process would

²⁵ John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205 (1998). To be sure, figures on litigated patents do not include cases in which the parties settle, which could involve a higher frequency of valid patents. *See id.*

²⁶ See Ron D. Katznelson, *Patent Reforms Must Focus on the U.S. Patent Office*, 2 MED. INNOVATION & BUS. J. 77, 77-78 (2010).

²⁷ See USPTO, 2010 REPORT, *supra* note 11, at 125 tbl.1 (showing that more than 233,000 patents were issued in 2010).

²⁸ Q. Todd Dickinson, Former Dir., U.S. Patent & Trademark Office, U.S. Dep't of Commerce, Statement, in Fed. Trade Comm'n Panel on Competition, Economic, and Business Perspectives on Patent Quality and Institutional Issues 78 (Oct. 25, 2002) (transcript available at <http://www.ftc.gov/opp/intellect/021025trans.pdf>), in Public Hearing on Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy (Feb. 6 – Nov. 6, 2002) [hereinafter Public Hearing], available at <http://www.ftc.gov/opp/intellect/>.

reduce the number of applications, the vastly increased cost of the process would outweigh any savings in litigation expenses.²⁹

The second problem is that additional review is inefficient. Many issued patents lack commercial significance.³⁰ It thus is not efficient to spend substantial resources to achieve flawless initial review.³¹ Since the most important patents are the ones that are brought to market and are likely to be infringed, why not just wait for lawsuits?

B. Litigation

Litigation certainly is a targeted method to address invalid patents. It focuses directly on the most important patents rather than patents that will never be used.³² And it utilizes the considerable tools and antagonistic clash of two warring sides to reach an accurate validity determination.

Upon reflection, however, litigation does not offer as much benefit as would initially appear. High costs and skewed incentives are to blame. Litigation is expensive. The typical patent litigation occurs 7 to 10 years after a patent is issued and is not resolved for an additional 2 to 3 years.³³ As of 2011, for patent infringement litigation in which there was between \$1 and \$25 million at risk, the median cost for each party was \$2.5 million.³⁴ For cases with more than \$25 million at risk, the cost was \$5 million.³⁵ Such costs dissuade many (in particular small) companies from utilizing litigation.³⁶

Due to the prohibitive cost of litigating patent disputes, parties typically prefer licensing to litigation. Licensing allows potential infringers with a product on the market to remain on the market. In contrast, filing a lawsuit to demonstrate a patent's invalidity often leads to a counterclaim that would prevent alleged infringers from

²⁹ See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1509-10 (2001).

³⁰ See *id.* at 1497.

³¹ See *id.*

³² See John R. Allison et al., *Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents*, 158 U. PA. L. REV. 1, 3-4 (2009).

³³ NAT'L RESEARCH COUNCIL OF THE NAT'L ACADS., *A PATENT SYSTEM FOR THE 21ST CENTURY* 95-96 (Stephen A. Merrill et al. eds., 2004), available at <http://www.nap.edu/html/patentsystem/0309089107.pdf>.

³⁴ AM. INTELLECTUAL PROP. LAW ASS'N, *REPORT OF THE ECONOMIC SURVEY* 35 (2011).

³⁵ *Id.*

³⁶ Stuart J.H. Graham & Dietmar Harhoff, *Can Post-Grant Reviews Improve Patent System Design? A Twin Study of U.S. and European Patents* 23 (Ctr. for Econ. Research, Discussion Paper No. 5680, 2006).

selling their products or require them to pay substantial damages.³⁷ At a minimum, licensing fees tend to be cheaper than litigation.³⁸

Nor do both parties have equal incentives to bear the expense of litigation. Patentees, with more at stake, typically spend more than infringers.³⁹ Much of this flows from a public goods problem.⁴⁰ As a result of a 1971 Supreme Court decision, a party that successfully challenges a patent cannot block competitors from relying on the court's ruling.⁴¹ A free-riding problem thus develops. A successful validity challenge benefits all potential infringers, who subsequently can manufacture the product, while exclusively burdening the challenging infringer, the sole party paying litigation costs.⁴² The challenging infringer incurs all the costs of challenging the patent but can enjoy only a fraction of the benefits of invalidating the patent.⁴³ As a result of this asymmetry, infringers wait for others to sue.⁴⁴ In contrast, the patentee enjoys 100% of the gain from a validity finding. As a result, the patentee possesses greater incentive to invest in litigation.

Further illustrating litigation's skewed incentives, multiple infringers that compete in a product market can "pass through" any higher royalties they are required to pay to consumers.⁴⁵ This ability to shift costs makes it even less likely that invalid patents will be challenged.⁴⁶ Other problems plaguing litigation include the unpredictability of jury trials, the assertion of entire patent portfolios against defendants, and the availability of treble damages.⁴⁷

Because of these drawbacks, litigation is not a failsafe mechanism to eliminate important invalid patents. Not only are there insufficiently few challenges, but infringers' validity challenges tend to be less

³⁷ Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943, 954 (2004).

³⁸ *Id.* at 954-55.

³⁹ *Id.* at 951.

⁴⁰ *Id.* at 952.

⁴¹ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971).

⁴² Farrell & Merges, *supra* note 37, at 952.

⁴³ *Id.*; Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 BERKELEY TECH. L.J. 667, 687-88 (2004).

⁴⁴ Alternatively, they enter into licenses with patentees.

⁴⁵ Farrell & Merges, *supra* note 37, at 953.

⁴⁶ *Id.* at 953-54.

⁴⁷ Carl Shapiro, *Patent System Reform: Economic Analysis and Critique*, 19 BERKELEY TECH. L.J. 1017, 1034 (2004).

aggressively litigated than patentees' validity defenses. In addition, the cost of litigation is unavoidable.

C. Reexamination

Another option for remedying invalid patents involves the PTO's reexamination of issued patents. Two such systems exist in the United States. Each, however, is marked by flaws that have limited its use.

In 1980, Congress enacted an *ex parte* reexamination procedure, by which a third party could seek reexamination of a patent.⁴⁸ The legislature sought to restore confidence in U.S. patents as part of an effort to revive the nation's competitiveness.⁴⁹ Providing an efficient and relatively inexpensive system for patent owners to test validity reduced the high cost of patent litigation.⁵⁰

Pursuant to the procedure, any individual can request reexamination at any time during the patent term.⁵¹ Reexamination will be ordered if the PTO Director finds that the challenger has raised "a substantial new question of patentability."⁵² The examiner evaluates patents and printed publications (but not public uses or sales) that were not considered in the initial examination and grants or denies the request within ninety days.⁵³

Between 1981 and June 2011, the PTO granted 10,182 and denied 913 of the 11,095 requests for *ex parte* reexamination on which it ruled.⁵⁴ Of the 10,182 requests that were granted, 23% resulted in the confirmation of all the claims in the patent, 11% led to cancellation of all the claims, and 66% resulted in amendments to the claims.⁵⁵ The reexaminations thus had a significant effect, with 77% of decided

⁴⁸ Act of Dec. 12, 1980, Pub. L. No. 96-517, § 302, 94 Stat. 3015 (1980).

⁴⁹ Gerald J. Mossinghoff & Vivian S. Kuo, *Post-Grant Review of Patents: Enhancing the Quality of the Fuel of Interest*, 85 J. PAT. & TRADEMARK OFF. SOC'Y 231, 235 (2003).

⁵⁰ H.R. REP. NO. 96-1307, pt. 1, at 4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6463. See generally Farrell & Merges, *supra* note 37, at 965 (describing legislative history).

⁵¹ 35 U.S.C. §§ 302, 312 (2006).

⁵² *Id.* § 304.

⁵³ *Id.* §§ 102-03. A useful summary of the process appears in Mossinghoff & Kuo, *supra* note 49, at 236-38.

⁵⁴ JUN. 2011 USPTO EX PARTE REEXAMINATION FILING DATA Q. REP. 1 [hereinafter EX PARTE REEXAMINATION Q. REP.], available at http://www.uspto.gov/patents/stats/Reexamination_Information.jsp.

⁵⁵ *Id.* See generally Mossinghoff & Kuo, *supra* note 49, at 238 (providing similar figures from an earlier period). The figures apply to *ex parte* reexamination certificates (which are issued after an appeal has concluded or the period for appeal expires). MPEP, *supra* note 8, § 2200-150.

requests leading to at least a narrowing of the patent. But the procedure was not invoked frequently, as it applied, on average, to approximately 380 patents per year.⁵⁶

In creating the reexamination system, Congress was concerned about challengers' potential harassment of patentees.⁵⁷ For that reason, it limited third parties' rights to participate to an initial filing and a response to a patentee's (optional) reply to the filing.⁵⁸ But the ex parte nature of the process, marked by only the patentee's involvement, has limited use by challengers.⁵⁹ Patentees, in fact, have filed many of the reexaminations to provide newly discovered prior art to the PTO and preempt competitors' validity challenges.⁶⁰ In the end, challengers' inability to participate in ex parte reexamination has dampened use of the procedure.⁶¹

Congress responded to this situation by creating an inter partes reexamination system in the American Inventors Protection Act of 1999.⁶² Such a regime allows requesters to respond to each patentee filing and to appeal to the USPTO Board of Patent Appeals and Interferences.⁶³ Three years after the passage of the Act, Congress granted the requester the right to appeal to the Federal Circuit and allowed challenges based on patents or printed publications that the PTO had previously considered.⁶⁴

But even with these amendments, inter partes reexamination is plagued by deficiencies that limit its use. First, it allows challenges

⁵⁶ EX PARTE REEXAMINATION Q. REP., *supra* note 54, at 1 (noting 11,604 requests in 30-year period). In the past few years, there have been roughly 700 to 800 requests filed per year. *See id.*

⁵⁷ H.R. REP. NO. 96-1307, pt. 1, at 3-8, *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463. *See generally* Farrell & Merges, *supra* note 37, at 965 (describing legislative history).

⁵⁸ H.R. REP. NO. 96-1307, pt. 1, at 3-8, *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463.

⁵⁹ 35 U.S.C. § 305 (2006).

⁶⁰ Qin Shi, *Reexamination, Opposition, or Litigation?: Legislative Efforts to Create a Post-Grant Patent Quality Control System*, 31 AIPLA Q.J. 433, 440-41 (2003).

⁶¹ *Patent Quality Improvement — Post-Grant Opposition: Hearing Before Subcomm. on Courts, the Internet, & Intellectual Prop. of the H. Comm. on Judiciary*, 108th Cong. 9 (2004) (statement of Jeffrey P. Kushan) [hereinafter *Hearing*]; David M. O'Dell & David L. McCombs, Haynes and Boone, LLP, *The Use of Inter Partes and Ex Parte Reexamination in Patent Litigation 3* (Feb. 8, 2006) (unpublished manuscript), available at <http://www.immagic.com/eLibrary/ARCHIVES/GENERAL/GENREF/H060208O.pdf>.

⁶² Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, §§ 4601-4608, 113 Stat. 1501, 1501A-567-73 (1999).

⁶³ 35 U.S.C. § 315.

⁶⁴ 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, §§ 13105-13106, 116 Stat. 1758, 1900-01 (2002).

only on grounds of novelty or nonobviousness.⁶⁵ Other requirements, such as subject matter, utility, and enablement, cannot be raised. Second, it does not allow the requester to participate beyond a single response to a patentee's filing.⁶⁶ The requester cannot, for example, cross-examine the assertions of the patentee or its witnesses.

Third, and most important, inter partes reexamination is burdened by two strong estoppel provisions. One prevents a requester from challenging the validity of any fact determined in the examination.⁶⁷ The other prohibits a requester from later asserting the invalidity of a patent on any ground that it "raised or could have raised."⁶⁸ The latter part of this definition has proven particularly elusive. It is not clear how extensively a requester must conduct a prior art search to avoid estoppel.⁶⁹ The PTO determines whether an issue could have been raised on a "case-by-case basis" by "evaluating all the facts and circumstances of each individual situation."⁷⁰

The effect of these three failings in combination is particularly pronounced. A requester who cannot raise fundamental validity challenges or engage in cross-examination would be especially wary of being bound by such strong estoppel provisions.⁷¹ It should not be a surprise that the inter partes reexamination has been used infrequently. Between 1999 and June 2011, the PTO received only 1,286 requests for inter partes reexamination.⁷² It granted 1,099 and denied 53 of the 1,155 requests on which it ruled.⁷³ Of the 278 requests that were finally decided, 35 resulted in the confirmation of

⁶⁵ MPEP, *supra* note 8, § 2609.

⁶⁶ 35 U.S.C. § 314(b)(2).

⁶⁷ Optional Inter Partes Reexamination Procedure Act § 4607. The estoppel does not apply to facts later proven false based on evidence unavailable at the time of reexamination. *See generally* Hearing, *supra* note 61, at 16.

⁶⁸ 35 U.S.C. § 315(c).

⁶⁹ U.S. PATENT & TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, REPORT TO CONGRESS ON INTER PARTES REEXAMINATION 6-8 (2004) [hereinafter USPTO, REPORT TO CONGRESS ON INTER PARTES REEXAMINATION], available at <http://www.uspto.gov/web/offices/dcom/olia/reports/reexamreport.pdf>.

⁷⁰ *Id.*

⁷¹ Hearing, *supra* note 61, at 9 (statement of James A. Toupin); *id.* at 16 (statement of Jeffrey P. Kushan).

⁷² JUN. 2011 USPTO INTER PARTES REEXAMINATION FILING DATA Q. REP. 1 [hereinafter INTER PARTES REEXAMINATION Q. REP.], available at http://www.uspto.gov/patents/stats/Reexamination_Information.jsp. As this Article went to press, use of the procedure had recently increased.

⁷³ *Id.*

all the claims in the patent, 123 led to cancellation of all the claims, and 120 resulted in amendments to the claims.⁷⁴

Although Congress amended *ex parte* reexamination in the America Invents Act, it did not sufficiently address these deficiencies. In particular, challengers still will be estopped from raising in litigation any grounds they “raised or reasonably could have raised” during *inter partes* review.⁷⁵

D. Post-Grant Opposition

The preceding three options for reducing the incidence of invalid patents are not sufficient. Perfecting the application process is not the best use of limited government resources. Litigation addresses some of the most important invalid patents, but cost and other factors reduce its effectiveness. And the limited participation for requesters as well as estoppel provisions have prevented the reexamination systems from being fully utilized. In order to address invalid patents that stifle innovation and harm consumers, we need a new opposition system.

Such an opposition could occur before or after the patent grant. A minority of scholars has suggested a pre-grant opposition system, by which a competitor could oppose a patent before its issuance.⁷⁶ Two fundamental disadvantages, however, would accompany such a process. First, it would require early disclosure of patent applications, which could provide secret information to competitors.⁷⁷ Second, large firms are more likely to use pre-grant opposition to delay the issuance of patents to small inventors.⁷⁸ Japan and South Korea, which had pre-grant opposition systems, experienced such behavior.⁷⁹ Inventors in

⁷⁴ *Id.* The figures apply to *inter partes* reexamination certificates (which are issued after an appeal has concluded or the period for appeal expires). MPEP, *supra* note 8, § 2600-171.

⁷⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(a), § 315(e)(2), 125 Stat. 284, 301-02 (2011). Although the insertion of “reasonably” in the context of issues that could have been raised introduces somewhat more flexibility, the concept is still too amorphous to provide guidance to challengers.

⁷⁶ *E.g.*, Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 783 (2002).

⁷⁷ Jay P. Kesan & Andres A. Gallo, *Why “Bad” Patents Survive in the Market and How Should We Change?: The Private and Social Costs of Patents*, 55 EMORY L.J. 61, 110 (2006). Such disclosure would occur before it would have under the current patent system, either because it would take place within the 18-month period before applications are published or because the patent falls in a category that is not published.

⁷⁸ Kesan, *supra* note 76, at 783.

⁷⁹ *Id.* at 778.

Japan lamented holdups as long as eleven years and complained about the targeting of applications with “high technological and commercial value.”⁸⁰ As a result of these problems, the two countries switched to post-grant opposition systems.⁸¹

These two impediments help explain why nearly all commentators recommend a post-grant opposition system.⁸² Such a system offers a quick and cheap alternative to litigation and solves the problems that have plagued reexamination. It also offers the following six benefits.

First, it promises to improve *patent quality* by bringing more information into the process. In particular, it takes advantage of competitors, who often are aware of the most relevant prior art and can “probe beneath the surface of an applicant’s affidavits and declarations.”⁸³ Relatedly, the system could help educate examiners in issues presented by emerging technologies.⁸⁴ Because third parties are likely to have more knowledge of prior art in new fields, opposition proceedings could uncover areas unknown to examiners.⁸⁵ Even for established technologies, examiners would receive earlier guidance through oppositions than through litigation.⁸⁶ In increasing the amount of information available to examiners, the process would build upon the recent valuable effort of the Peer-to-Patent Community Patent Review, a pilot program that has allowed the public to provide the PTO with far more prior art than it typically receives from third parties.⁸⁷

⁸⁰ Robert J. Girouard, *U.S. Trade Policy and the Japanese Patent System 5* (Berkeley Roundtable on Int’l Econ., Working Paper No. 89, 1996), available at <http://brie.berkeley.edu/publications/WP%2089.pdf>.

⁸¹ Kesan, *supra* note 76, at 778.

⁸² See generally Kesan & Gallo, *supra* note 77, at 112.

⁸³ FED. TRADE COMM’N, TO PROMOTE INNOVATION, *supra* note 15, at 19.

⁸⁴ Jonathan Levin & Richard Levin, *Benefits and Costs of an Opposition Process*, in PATENTS IN THE KNOWLEDGE-BASED ECONOMY 120, 140 (Wesley M. Cohen & Stephen A. Merrill eds., 2003).

⁸⁵ *Id.*

⁸⁶ NAT’L RESEARCH COUNCIL OF THE NAT’L ACADS., *supra* note 33, at 103.

⁸⁷ Press Release, The Peer to Patent Project, Public Successfully Participates in US Patent Examination Process (Apr. 28, 2008), available at <http://cairns.typepad.com/peertopatent/2008/04/public-successf.html> (noting that PTO received one third-party prior art submission for every 500 patent applications published in 2007 and that in the Peer-to-Patent pilot program, “volunteer reviewers supplied nearly four prior art references for each pilot application”). As this Article went to press, the second pilot program was underway and endeavored to review 1000 applications in subject matter classes that included software, business methods, telecommunications, biopharmaceuticals, molecular biology, and linguistics. See PEER TO PATENT, <http://www.peertopatent.org/applicantguidelines> (last visited Feb. 8, 2011).

Second, it focuses on the *most valuable* patents. Patents that are most likely to have an effect in the market are most likely to be opposed.⁸⁸ One study comparing European oppositions and U.S. reexaminations concluded that “more ‘valuable’ or technologically important patents . . . are more likely to trigger challenges.”⁸⁹ Another study, which examined European oppositions in the biotechnology and pharmaceutical industries, concluded that patent value is a “relevant predictor[] of the likelihood of opposition.”⁹⁰

Third, reducing the number of invalid patents *lowers prices*. Invalid patents reduce the number of noninfringing substitutes available to consumers.⁹¹ They increase defensive patenting in which firms seek patents to gain bargaining chips against rivals.⁹² They threaten incumbents that have sunk investments.⁹³ They raise competitors’ costs, which are typically passed on to consumers.⁹⁴ And they require rivals to pay licensing royalties.⁹⁵

Fourth, the system offers *increased flexibility*. Unlike courts, which can only uphold or invalidate a patent, the PTO can compel an applicant to narrow its claim.⁹⁶ In most cases, in fact, the applicant amends its claims in response to an examiner’s initial rejection of all or some of the claims.⁹⁷

Fifth, the system addresses the *uncertainty* that hampers innovation. Inventors and potential infringers may not be certain that a patent is

⁸⁸ Bronwyn H. Hall & Dietmar Harhoff, *Post-Grant Reviews in the U.S. Patent System: Design Choices and Expected Impact*, 19 BERKELEY TECH. L.J. 989, 1006 (2004).

⁸⁹ Stuart J.H. Graham et al., *Patent Quality Control: A Comparison of U.S. Patent Reexaminations and European Patent Oppositions* (2002), in PATENTS IN THE KNOWLEDGE-BASED ECONOMY, *supra* note 84, at 74, 114.

⁹⁰ Dietmar Harhoff & Markus Reitzig, *Determinants of Opposition against EPO Patent Grants: The Case of Biotechnology and Pharmaceuticals*, 22 INT’L J. INDUS. ORG. 443, 478 (2004). Any harassment effects that would result from the focus on valuable patents could be addressed through the procedure’s details, as I discuss later in the Article.

⁹¹ Christopher R. Leslie, *Antitrust and Patent Law as Component Parts of Innovation Policy*, 34 J. CORP. L. 1259, 1272 n.84 (2009).

⁹² Eric Williams, *Remembering the Public’s Interest in the Patent System — A Post-Grant Opposition Designed to Benefit the Public*, 2006 B.C. INTEL. PROP. & TECH. F. 110702, pt. IV.A (2006).

⁹³ Hall & Harhoff, *supra* note 88, at 993 (focusing on incumbents with investments that make them “highly vulnerable to hold-up or patent predation”).

⁹⁴ Farrell & Merges, *supra* note 37, at 945.

⁹⁵ Shapiro, *supra* note 47, at 1019.

⁹⁶ Paul M. Janicke, *The Crisis in Patent Coverage: Defining Scope of an Invention by Function*, 8 HARV. J.L. & TECH. 155, 177 (1994).

⁹⁷ Mark A. Lemley & Bhaven Sampat, *Examining Patent Examination*, 2010 STAN. TECH. L. REV. 2, ¶ 7, <http://stlr.stanford.edu/pdf/lemley-sampat-examining-patent.pdf>.

valid for years after its issuance. The typical patent litigation occurs seven to ten years after a patent is issued.⁹⁸ On average, more than two years elapse between the filing of a complaint and trial.⁹⁹ Nor is predictability bolstered when courts reverse PTO validity findings in at least one-third of cases.¹⁰⁰ This uncertainty reduces investment and commercialization. A patentee uncertain of validity would be less likely to secure investments that facilitate the invention's development.¹⁰¹ Uncertainty also makes licensing more difficult.¹⁰² And competitors are hurt as they are less likely to enter the market.

Sixth, by offering a quicker and cheaper method of resolving patent validity, the system offers *small companies* a new avenue to challenge patents. Small firms have no simple and effective way to determine a patent's validity.¹⁰³ The cost of litigation and unending discovery often renders litigation infeasible for small companies.¹⁰⁴ In fact, smaller firms, with relatively higher litigation costs, are more likely to avoid areas in which incumbents have many patents.¹⁰⁵ The high costs also lead to the free-rider problem plaguing patent challenges.

In addition to the six preceding benefits, a reduced-cost opposition would allow small companies to challenge a patent without being counter-sued for infringement.¹⁰⁶ Nor, as evidence from European

⁹⁸ NAT'L RESEARCH COUNCIL OF THE NAT'L ACADS., *supra* note 33, at 95-96.

⁹⁹ PricewaterhouseCoopers, *2008 Patent Litigation Study: Damages Awards, Success Rates and Time-to-Trial*, at 11-12 (Aug. 2009), [http://www.pwc.com/extweb/pwcpublications.nsf/docid/EBC144CF6220C1E785257424005F9A2B/\\$file/2008_patent_litigation_study.pdf](http://www.pwc.com/extweb/pwcpublications.nsf/docid/EBC144CF6220C1E785257424005F9A2B/$file/2008_patent_litigation_study.pdf).

¹⁰⁰ See John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205 (1998); Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 239 (2005).

¹⁰¹ See Craig Allen Nard, *Certainty, Fence Building, and the Useful Arts*, 74 IND. L.J. 759, 759 (1999). Markets implicitly discount the value of patents untested in court. Professor David Teece, Statement, in Federal Trade Commission Panel on Competition and IP Law and Policy in the Knowledge-Based Economy 219-20 (Feb. 26, 2002) (transcript available at <http://www.ftc.gov/opp/intellect/020226trans.pdf>), in Public Hearing, *supra* note 28.

¹⁰² See Nard, *supra* note 101, at 759.

¹⁰³ See *supra* notes 33-35 and accompanying text.

¹⁰⁴ See Josh Lerner, *Patenting in the Shadow of Competitors*, 38 J.L. & ECON. 463, 465 (1995); *Hearing*, *supra* note 61, at 41 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association).

¹⁰⁵ See Lerner, *supra* note 104, at 465.

¹⁰⁶ To the extent a public good problem still affects oppositions, the process might need to be revised. For example, Professor John Thomas has offered the idea of a cash prize, or "bounty," to encourage citizens to provide the PTO with information relevant to patentability. See John R. Thomas, *Collusion and Collective Action in the Patent*

oppositions reveals, have independent inventors and smaller entities more frequently been subject to validity challenges.¹⁰⁷

The U.S. and European patent systems admittedly are dissimilar, with resultant differences in incentives to use opposition systems. Nonetheless, the use of oppositions in Europe provides important lessons for a proposed U.S. system. In the European system, third parties can file an opposition within nine months of the grant of a patent.¹⁰⁸ They can challenge a patent's subject matter, novelty, inventive step (similar to nonobviousness), and enablement.¹⁰⁹ The examination is conducted by three examiners, at least two of whom did not participate in the initial grant of the patent.¹¹⁰ The proceedings may include an oral hearing.¹¹¹ There are no estoppel provisions.

Between 1980 and 1995, approximately 8% of European patents were opposed.¹¹² The median duration of the opposition was almost two years, with an appeal lasting another two years.¹¹³ Combined with the more than four years taken by initial examination, the process lasted approximately eight years.¹¹⁴ But it had a significant effect. More than one-third of patents were revoked, with roughly another third narrowed through amendment. Only 28% of patents survived the opposition process unscathed.¹¹⁵

The America Invents Act includes a post-grant opposition process.¹¹⁶ In the past few years, many other organizations, including the Federal Trade Commission, National Academies of Science, American Intellectual Property Lawyers Association ("AIPPLA"), and PTO, also proposed an opposition procedure.¹¹⁷ But while there is significant

System: A Proposal for Patent Bounties, 2001 U. ILL. L. REV. 305, 342.

¹⁰⁷ See Graham & Harhoff, *supra* note 36, at 23; Harhoff & Reitzig, *supra* note 90, at 476.

¹⁰⁸ Convention on the Grant of European Patents art. 99, Oct. 5, 1973, 1065 U.N.T.S. 199 [hereinafter European Patent Convention]. A patent granted under the European Patent Convention is effective in each of the member states. *Id.* art. 2.

¹⁰⁹ *Id.* art. 100.

¹¹⁰ *Id.* art. 19(2); see Hall & Harhoff, *supra* note 88, at 1002-03.

¹¹¹ European Patent Convention, *supra* note 108, art. 117.

¹¹² Hall & Harhoff, *supra* note 88, at 1003; see also Harhoff & Reitzig, *supra* note 90, at 445 (noting that, between 1978 and 1992, 8.2% of patents were subject to opposition).

¹¹³ Hall & Harhoff, *supra* note 88, at 1003-04.

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 1004.

¹¹⁶ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(d), § 324(a), 125 Stat. 284, 306 (2011).

¹¹⁷ See *Hearing*, *supra* note 61, at 34-37 (AIPPLA); FED. TRADE COMM'N, TO PROMOTE INNOVATION, *supra* note 15; NAT'L RESEARCH COUNCIL OF THE NAT'L ACADS., *supra* note

support for the concept of a post-grant opposition process, the details are far more controversial. The next Part fleshes out the details of an effective opposition system.

III. ELEMENTS OF OPPOSITION PROCEDURE

In determining the elements of a preferred post-grant opposition, significant questions must be answered. This Part tackles the most important: (1) the threshold a requester must clear to commence an opposition, (2) when such a process can be invoked, (3) the grounds on which a patent can be challenged, (4) the nature of the required evidentiary showing, (5) who will hear the challenge (and its appeal), (6) the materials that can be introduced in the proceeding, (7) whether the requester's identity must be disclosed, and (8) the preclusive effect of the opposition.

A. *Threshold Showing*

The first question involves the threshold a requester must satisfy to initiate an opposition. To begin an *ex parte* or *inter partes* reexamination, a requester has been required to demonstrate "a substantial new question of patentability" for the claims for which it seeks reexamination.¹¹⁸ Although such a showing sounds reasonable in theory, the ambiguity of such a standard has led to reexaminations being granted in nearly every case.¹¹⁹ The PTO granted 92% of *ex parte* reexamination requests between 1981 and June 2011 and 95% of *inter partes* reexamination requests between 1999 and June 2011.¹²⁰ Scholars have claimed that examiners "routinely rubber-stamp requests for reexamination" and can "parrot back the requester's language" to demonstrate a substantial new question of patentability.¹²¹

One potentially more rigorous threshold would require a requester to establish a *prima facie* case of unpatentability. While such a

33, at 95-96; U.S. PATENT & TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, POST-GRANT REVIEW OF PATENT CLAIMS (Sept. 20, 2007), <http://www.uspto.gov/web/offices/com/strat21/action/sr2.htm> [hereinafter USPTO, POST-GRANT REVIEW OF PATENT CLAIMS].

¹¹⁸ 35 U.S.C. §§ 303(a), 312(a) (2006).

¹¹⁹ Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1, 47 n.202 (1997).

¹²⁰ EX PARTE REEXAMINATION Q. REP., *supra* note 54, at 1; INTER PARTES REEXAMINATION Q. REP., *supra* note 72, at 1.

¹²¹ Janis, *supra* note 119, at 48.

showing would set a higher threshold than the current reexamination standards, at times it would call for the requester to make showings that would not be possible without discovery, and in all cases it would require the PTO to engage in an extensive additional step of analysis.¹²²

Another heightened standard, which appears in the America Invents Act, would require challengers to show that it is “more likely than not” that at least one patent claim is not patentable.¹²³ This standard is less onerous but still imposes a high bar because it will often be difficult to show at least a 51% likelihood of invalidity.¹²⁴ Raising the bar even higher, the legislation allows patentees to “file a preliminary response” after the filing of the petition.¹²⁵ It also allows challengers to rely on the “more likely than not” standard only for information “not rebutted” by the patentee.¹²⁶

If the “more likely than not” standard proves to set an excessively high threshold, two more-lenient standards could be used. The first appears in the proposed Patents Depend on Quality Act of 2006.¹²⁷ This legislation would allow the PTO director to “dismiss an opposition request that . . . lacks substantial merit.”¹²⁸ It would not require overly burdensome showings while still allowing the PTO to dismiss claims that are harassing and without substantial merit. Although the test bears some similarity to the reexamination threshold, it is offered on a fresh slate, which offers the promise that it can avoid the rubber-stamp history of the “substantial new question of patentability” test.

In fleshing out such a threshold, the standard for preliminary injunctions could prove helpful. A patentee seeking to enjoin infringement must demonstrate, among other factors, a likelihood of success on the merits.¹²⁹ It will only receive the injunction, however, if the alleged infringer asserts a validity or infringement defense that the

¹²² USPTO, POST-GRANT REVIEW OF PATENT CLAIMS, *supra* note 117.

¹²³ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(d), § 324(a), 125 Stat. 284, 306 (2011).

¹²⁴ E.g., *Turpin v. Merrell Dow Pharms., Inc.*, 959 F.2d 1349, 1357 (6th Cir. 1992).

¹²⁵ Sec. 6(d), § 323, 125 Stat. 284, 306.

¹²⁶ *Id.* sec. 6(d), ch. 32, § 324(a), 125 Stat. 284, 306.

¹²⁷ See Patents Depend on Quality Act of 2006, H.R. 5096, 109th Cong. § 325 (2006).

¹²⁸ AIPLA proposed the same standard. See *Hearing, supra* note 61, at 31 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association); *id.* at 35 (proposed statute).

¹²⁹ *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1376 (Fed. Cir. 2009).

patentee can prove “lacks substantial merit.”¹³⁰ Courts have held that this standard only requires the challenging party to demonstrate a patent’s vulnerability (rather than a higher standard of invalidity).¹³¹ In the context of post-grant hearings, the PTO can dismiss a challenger’s request that lacks substantial merit.

Another potential threshold is provided by the America Invents Act standard for inter partes review: that the petitioner demonstrate a “reasonable likelihood” that it “would prevail with respect to at least one of the claims challenged in the petition.”¹³² Such a standard would, as applied to post-grant oppositions, make it easier to file an opposition. Although tests based on “reasonableness” naturally contain some indeterminacy, they set a bar that is not excessively high.

B. Timing

Perhaps the most controversial aspect of the post-grant opposition procedure is the time frame within which a challenger must file an opposition. Several possibilities have been offered. Some proponents advocate a single nine-to-twelve month window after the grant of the patent.¹³³ The legislation provides a single nine-month window after patent issuance.¹³⁴ Others include a second window of four to six months after a party receives notification that it is infringing the patent.¹³⁵ A smaller minority advocates an open window throughout the patent term.¹³⁶

The timing decision implicates a tradeoff between certainty and fairness. A patentee desires the certainty of knowing, within a single window after receiving the patent, that its patent is no longer subject to challenge.¹³⁷ On the other hand, parties often cannot examine every

¹³⁰ *Genentech, Inc. v. Novo Nordisk, A/S*, 108 F.3d 1361, 1364 (Fed. Cir. 1997).

¹³¹ *E.g.*, *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1359 (Fed. Cir. 2001).

¹³² Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(a), § 314(a), 125 Stat. 284, 300 (2011).

¹³³ *E.g.*, Hearing, *supra* note 61, at 55 (BIO letter).

¹³⁴ Sec. 6(d), § 321(c), 125 Stat. 284, 306 (2011).

¹³⁵ *See Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Hearings Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary*, 109th Cong. 40 (2006) [hereinafter *Perspectives*] (statement of Mark Chandler); *id.* at 33 (statement of Andrew Cadel); *Patent Law Reform: Injunctions and Damages: Hearings Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary*, 109th Cong. 168 (2005) [hereinafter *Patent Law Reform*] (statement of Mark Lemley).

¹³⁶ Williams, *supra* note 92, at pt. V.C.

¹³⁷ *See, e.g., Perspectives, supra* note 135, at 62 (statement of Philip Johnson)

patent issued and, long before any commercial application is apparent, determine which patents to challenge.

For this reason, many have relied on a fairness argument in advocating a second window that typically lasts four to six months after receiving notification of infringement.¹³⁸ By that point, it is clear which patents are commercially viable and which patents are allegedly infringing.¹³⁹ Proponents of a single window contend that patents subject to challenge years after issuance suffer reduced certainty.¹⁴⁰ But businesses cannot, within one year of issuance, reasonably review all patents, determine all possible claim interpretations, and challenge all that may be applicable and suspect.¹⁴¹

Certain industries are particularly likely to need a second window. Pharmaceutical firms will not know, at the time a patent is issued, whether it will survive lengthy and uncertain clinical trials.¹⁴² Medical device companies do not obtain marketing approval until years after a patent's issuance.¹⁴³ Computers, cell phones, airplanes, cars, and communications networks, among other technological devices, consist of hundreds or thousands of components against which a patentee could assert a claim.¹⁴⁴ Such companies will not know within a year of a patent's issuance whether the patent might be relevant in the future. In many cases, this problem is exacerbated because infringement claims often do not have much relation to the invention described in the patent.¹⁴⁵

I propose an opposition procedure with two windows and, potentially, a third window lasting the life of the patent.

The first window could last for nine to twelve months after the patent's issuance. The nine months articulated in the America Invents Act does not impose a significantly more onerous bar to challengers

(“Were it possible to bring an opposition throughout the life of a patent, competitors knowing of invalidating art or some other validity defect would have no incentive to bring an opposition during the initial period for doing so.”).

¹³⁸ See sources cited *supra* note 135.

¹³⁹ *Perspectives*, *supra* note 135, at 46 (statement of Mark Chandler); Williams, *supra* note 92, at pt. V.E.

¹⁴⁰ *Perspectives*, *supra* note 135, at 61 (statement of Philip Johnson); *id.* at 89-90 (statement of Nathan Myhrvold).

¹⁴¹ *Perspectives*, *supra* note 135, at 13 (statement of Andrew Cadel).

¹⁴² *Patent Law Reform*, *supra* note 135, at 12 (statement of Mark Lemley).

¹⁴³ *Hearing on The Patent Reform Act of 2007: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 110th Cong. 11 (Apr. 26, 2007) (statement of John Thomas).

¹⁴⁴ See *Perspectives*, *supra* note 135, at 5 (statement of Mark Chandler).

¹⁴⁵ See *id.* at 6.

than the twelve-month window, and generally is reasonable.¹⁴⁶ For the first window, lasting nine or twelve months, any party could challenge a patent.

The second window should last six months after a party receives notification of infringement. Six months gives sufficient, but not excessive, time for an alleged infringer to challenge a patent.¹⁴⁷ The second window would be limited to parties that receive notification of infringement. Any concern that PTO oppositions would significantly delay parallel court proceedings could be addressed, as I explain below, by tightly controlling the proceeding and discovery and requiring completion of the opposition within one year.

The most difficult question is whether the opposition procedure should be available outside these two windows. Certainty could be reduced if oppositions were available throughout the patent term.¹⁴⁸ On the other hand, such a position would be fair to requesters, who would not need to quickly challenge a patent before its commercial application is known.¹⁴⁹ In addition, the removal of time limitations could help small companies, which are less likely to have the resources to monitor patents as they are issued.¹⁵⁰

An open time frame might even have the counterintuitive effect of *reducing* patent challenges. Evidence from early 20th-century Germany provides the first example of this effect. Initially, challengers could bring a nullity proceeding (allowing challenges to validity) only within five years of the patent grant. But after thirty years of debate between various industries on issues of certainty and abuse, the five-year period was abolished. Of most direct relevance for our purposes, after the restrictions on the time period were removed, fewer nullity actions were filed.¹⁵¹

Oppositions in Europe today provide similar evidence. One study found that more than 97% of European Patent Office opposition cases

¹⁴⁶ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(d), § 321(c), 125 Stat. 284, 306 (2011).

¹⁴⁷ See Patents Depend on Quality Act of 2006, H.R. 5096, 109th Cong. § 323 (2006) (recommending second window of six months).

¹⁴⁸ See *Perspectives*, *supra* note 135, at 6 (statement of Philip Johnson); *id.* at 10 (statement of Nathan Myhrvold).

¹⁴⁹ See *Perspectives*, *supra* note 135, at 16 (statement of Mark Chandler); Williams, *supra* note 92, at pt. V.C.

¹⁵⁰ See NAT'L RESEARCH COUNCIL OF THE NAT'L ACADS., *supra* note 33, at 101.

¹⁵¹ See N. Thane Bauz, *Reanimating U.S. Patent Reexamination: Recommendations for Change Based Upon a Comparative Study of German Law*, 27 CREIGHTON L. REV. 945, 975 (1994); Janis, *supra* note 119, at 119 n.518.

are filed within five days of the nine-month opposition deadline.¹⁵² Removal of the deadline would eliminate an artificial limit motivating challenges. It is not obvious in all these instances why challenges are filed at the last minute, but the presence of a deadline would seem to provide one potential reason.¹⁵³

What about the critique that such an open regime would reduce certainty? The patentee, after all, could not be confident, throughout the term of the patent, that it would not be subject to challenge.¹⁵⁴ One response would rely on the importance of challenging invalid patents. Courts have found as many as 46% of patents litigated to judgment to be invalid.¹⁵⁵ Because of the harms caused by invalid patents, opportunities to ascertain validity should be promoted even at the cost of modestly reduced certainty.

In addition, potential validity challenges would not be a wholly new development. Throughout the life of the patent, reexamination systems allow for challenges, and any person may cite “prior art consisting of patents or printed publications” that has “a bearing on the patentability of any claim.”¹⁵⁶ Patentees today, in seeking to strengthen their patents, file almost 50% of *ex parte* reexaminations.¹⁵⁷ One result of an open time period for post-grant oppositions would be an increased incentive for the patentee to search for and disclose prior art. A thorough search might even increase certainty.¹⁵⁸

But given that the opposition system is designed to be used more frequently by challengers, what adjustments could be made to address the concern of reduced certainty? Two additional modifications could cabin the harassment potential of an open challenge period: a fee shifting mechanism for unsuccessful challenges and a fee system for all opposition challenges.

The first change would impose a one-way fee shifting mechanism for unsuccessful challenges outside the first and second windows.¹⁵⁹

¹⁵² Hall & Harhoff, *supra* note 88, at 1008.

¹⁵³ For potential psychological reasons explaining the power of deadlines, see Andrew J. Wistrich, *Procrastination, Deadlines, and Statutes of Limitation*, 50 WM. & MARY L. REV. 607, 619-40 (2008) (discussing loss aversion, planning fallacy, procrastination, and deadlines).

¹⁵⁴ See *Perspectives*, *supra* note 135, at 18 (statement of Sen. Hatch).

¹⁵⁵ Allison & Lemley, *supra* note 25, at 205.

¹⁵⁶ See 35 U.S.C. § 301 (2006).

¹⁵⁷ NAT'L RESEARCH COUNCIL OF THE NAT'L ACADS., *supra* note 33, at 96.

¹⁵⁸ Shi, *supra* note 60, at 440-41.

¹⁵⁹ For an example of fee shifting, see PRESIDENT'S COMMISSION ON THE PATENT SYSTEM, TO PROMOTE THE PROGRESS OF . . . USEFUL ARTS, S. DOC. NO. 5, at 37 (1967) (proposing that parties unsuccessful in canceling claims pay the patentee's costs and

Challenges made outside the first two windows bear a greater potential for harassment. Requiring the challenger to pay the patentees' costs and attorneys' fees if the patent is judged valid could reduce meritless challenges. The challenger would not be required to pay fees where any patent claim is held invalid or amended. The fee-shifting proposal, at a minimum, would raise the cost to challengers who rely on questionable evidence in filing oppositions outside the two windows.¹⁶⁰

The second modification would impose a fee system for opposition challenges similar to the PTO's current structure for patent maintenance fees. The PTO requires patentees to pay maintenance fees 3½ years, 7½ years, and 11½ years after the issuance of the patent.¹⁶¹ Failure to make such payments on the due date (or within a six-month grace period) leads to the expiration of the patent.¹⁶²

The fee structure was adopted to make the PTO self-financing.¹⁶³ A central element of the system was the provision for patent fees to be paid in installments over the life of the patent. Such a structure, which has been adopted by the European Patent Office, Japan, and many developing countries, was designed to "soften the impact on inventors."¹⁶⁴ If the invention ultimately does not have commercial value, the inventor can let the patent expire, avoiding the need to pay additional fees. If, in contrast, the invention has achieved market success, fees would not present a significant burden.¹⁶⁵

Another key element is the 50% reduction for small entities in maintenance fees and the original application fee.¹⁶⁶ As of November 2011, the maintenance fee for a patent in force more than eight years was \$2,480 for typical inventors and \$1,240 for small entities.¹⁶⁷ The category of small entities includes individuals, small business concerns (with fewer than 500 employees), and nonprofit organizations such as universities, 501(c)(3) organizations, and nonprofit scientific or educational institutions.¹⁶⁸ To be covered, these entities cannot convey

attorneys' fees).

¹⁶⁰ Janis, *supra* note 119, at 120.

¹⁶¹ 35 U.S.C. § 41(b) (2006); 37 C.F.R. § 1.20 (e)-(g) (2008); *id.* § 1.362 (2008).

¹⁶² 35 U.S.C. § 41(b).

¹⁶³ U.S. PATENT & TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, RIN 0651-AB24, STUDY OF ALTERNATIVE FEE STRUCTURES, 65 Fed. Reg. 58746, 58747 (2000).

¹⁶⁴ *Id.*

¹⁶⁵ *Id.*

¹⁶⁶ 35 U.S.C. § 41(h)(1).

¹⁶⁷ 37 C.F.R. § 1.20(f) (2008).

¹⁶⁸ 13 C.F.R. § 121.802 (2008); 37 C.F.R. § 1.27(a)-(b) (2008).

or license rights in the invention to parties that are not small entities themselves.¹⁶⁹

The PTO's fee structure provides a useful framework for oppositions. A requester offers the most justifiable challenges in the first two windows, immediately after the patent is issued and after it is sued for infringement. Challenges outside these two windows should be subject to fees.

Like patent maintenance fees, opposition fees could follow an increased schedule. One possible schedule would require fees of \$2,000 per year. For example, a challenger filing in year 10 would pay a \$20,000 fee, and one filing in year 16 would pay a \$32,000 fee. These fees would apply only to challenges outside the first two windows. The increased fees over time would impose a modest deterrent effect against later challenges.

Another element of the maintenance fee system that could be imported involves reduced fees for small entities. Inventors, small businesses, and nonprofit organizations should pay lower fees. A 50% reduction, which would mirror maintenance fees, seems reasonable.¹⁷⁰

The open period for challenges and fee-shifting provisions should be monitored. If fee-shifting and opposition fees do not prevent excessive improper challenges, then it would be appropriate to limit challenges to the two windows (or even to impose fees escalating over time within the two windows). If few challenges occur outside the two windows, but there is evidence (for example, from subsequent litigation) that many important invalid patents are not being challenged, then perhaps less-deterrent (e.g., partial) fee shifting would be appropriate. In an extreme case, sanctions could be warranted.¹⁷¹

The open period should be subject to reassessment and empirical review. But, at a minimum, the first and second windows are necessary.

¹⁶⁹ 13 C.F.R. § 121.802; 37 C.F.R. § 1.27(a)-(b). The America Invents Act provides for a category of micro entities, for which fees are lowered 75%. Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 10(g), ch. 11, 125 Stat. 284, 318 (2011).

¹⁷⁰ Congress adopted the 50% figure to satisfy small business and individual inventors, who were concerned that the fees would "place too great a burden" on the groups. H.R. REP. NO. 96-1307, at 4 (1980), *reprinted at* 1980 U.S.C.C.A.N. 6460, 6462.

¹⁷¹ *See, e.g.*, sec. 6(d), ch. 32, § 326(a)(6), 125 Stat. 284, 308-09 (2011) (prescribing "sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding").

C. Reviewable Subject Matter

Current reexamination procedures allow requesters to challenge only a patent's novelty or nonobviousness. They can do so by introducing only prior patents or publications.¹⁷²

My proposed opposition system would provide more opportunities for challenging a patent's validity. In particular, a requester could challenge a patent's novelty, nonobviousness, utility, subject matter, enablement, and written description. The utility requirement ensures that the invention is useful.¹⁷³ Subject matter makes certain that the invention falls in a proper category.¹⁷⁴ Enablement and written description ensure that an owner is entitled to the breadth of its patent and is in possession of the invention at the time of filing.¹⁷⁵ Finally, I would allow challenges based on evidence other than patents and printed publications, such as an invention's prior use or sale.

Two validity requirements should not be examined because they would require examiners to delve into a patentee's mental state. The best mode of carrying out the invention and the priority race (by which the PTO decides which of two claimants was the first inventor) require subjective determinations that threaten to introduce delay and complication into the process.¹⁷⁶ These issues depend on an inventor's state of mind and cannot be resolved without extensive discovery that would lengthen the proceeding and significantly increase its cost.¹⁷⁷ Issues of patent enforcement, such as fraud and inequitable conduct, also should not be considered because they threaten to bog down the opposition in nuanced, fact-intensive inquiries and because the PTO less frequently considers these subjects.¹⁷⁸

Expanding the grounds for validity challenges would at least allow most such challenges to occur in one forum. It would take advantage of the agency's expertise, as the PTO is familiar with validity issues.

¹⁷² 37 C.F.R. § 1.510(b) (2007). To similar effect, the America Invents Act created *inter partes* review that allowed challengers to only raise challenges related to sections 102 and 103 of the Patent Act and limited the basis of the challenges "to prior art consisting of patents and printed publications." Sec. 6(a), § 311(b), 125 Stat. 284, 299 (2011).

¹⁷³ Utility Examination Guidelines, 66 Fed. Reg. 1092, 1098 (Jan. 5, 2001).

¹⁷⁴ 35 U.S.C. § 101 (1952).

¹⁷⁵ *Hearing*, *supra* note 61, at 14 (statement of Jeffrey P. Kushan).

¹⁷⁶ *Id.* at 46; *Patent Law Reform*, *supra* note 135, at 3. The America Invents Act removes the failure to disclose the best mode from the potential grounds for finding patents invalid or unenforceable. Sec. 15(a), § 282, 125 Stat. 284, 328 (2011).

¹⁷⁷ *Hearing*, *supra* note 61, at 31 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association); *id.* at 35 (proposed statute).

¹⁷⁸ USPTO, POST-GRANT REVIEW OF PATENT CLAIMS, *supra* note 117.

But it would not venture outside the agency's strengths and introduce burdensome inquiries.

D. Nature of Evidentiary Showing

The requester would need to establish facts, by a preponderance of the evidence, that demonstrate the patent's invalidity. This is the traditional standard that the PTO requires proponents to satisfy in administrative proceedings such as patent examinations and reexaminations, reissue proceedings, and most interference proceedings.¹⁷⁹ The America Invents Act reasonably includes a preponderance standard.¹⁸⁰

An alleged infringer challenging a patent's validity in court must demonstrate invalidity by the higher standard of clear and convincing evidence. The lower preponderance standard thus encourages validity challenges in post-grant opposition proceedings.¹⁸¹ This lower standard, combined with a relatively inexpensive forum and judges knowledgeable about patent law, should encourage the use of the procedure.

E. Judges and Appeals

Which judges will hear oppositions? Not the examiners who initially granted the patent, as they might be hesitant to overturn their initial decision. The America Invents Act provides that a Patent Trial and Appeal Board will decide oppositions.¹⁸² This Board consists of the Director, Deputy Director, Commissioner for Patents, Commissioner for Trademarks, and administrative patent judges.¹⁸³ Three-member panels will hear each post-grant review.¹⁸⁴ Use of such panels promises to increase predictability and expertise.¹⁸⁵

The America Invents Act reasonably provides that the opposition should be completed within one year.¹⁸⁶ The PTO advocated such a

¹⁷⁹ *Id.* at 10.

¹⁸⁰ Sec. 6(d), § 326(e), 125 Stat. 284, 309 (2011).

¹⁸¹ *Hearing, supra* note 61, at 28 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association).

¹⁸² Sec. 6(d), § 328(a), 125 Stat. 284, 311.

¹⁸³ *Id.* sec. 7(a), § 6, 125 Stat. 284, 313 (2011).

¹⁸⁴ *Id.*

¹⁸⁵ Stephen G. Kunin & Anton W. Fetting, *The Metamorphosis of Inter Partes Reexamination*, 19 BERKELEY TECH. L.J. 971, 977 (2004).

¹⁸⁶ Sec. 6(d), § 326(a)(11), 125 Stat. 284, 309 (2011). For "good cause," this period can be extended for an additional six months. *Id.*

timeframe in its proposed system, pointing to its experience in meeting one-year deadlines in other contexts.¹⁸⁷ And the European opposition, with drawn-out proceedings and no limits, serves as a reminder of the dangers of an excessively open-ended approach.

The panel could issue a written decision on the patentability of the contested claims by confirming the patent, cancelling it, or requiring it to be amended.¹⁸⁸ A party could appeal the decision to the Federal Circuit.¹⁸⁹

F. Proceeding

What form would the opposition take? It should allow greater involvement for the requester and a broader range of validity challenges than the current reexamination systems. It should not, however, expand to the point that it imitates the cost and breadth of litigation. The America Invents Act provides that the PTO Director “shall prescribe regulations” that “set[] forth standards and procedures for discovery of relevant evidence.”¹⁹⁰

One effective way to reduce expense is to call for the requester to present its case through affidavit and deposition, thereby eliminating live direct testimony.¹⁹¹ This technique was effective in the sprawling Microsoft antitrust case, as the judge required all direct witness testimony to be submitted in writing, which dramatically reduced the length of the proceedings.¹⁹²

The patentee could then challenge the requester’s case by cross-examining any of the parties who submitted an affidavit or deposition. Cross-examination is essential for testing a declarant’s assertions, especially for issues other than the application of printed prior art.¹⁹³ It is needed to make credibility determinations and to encourage requesters (who may be prevented from raising particular issues

¹⁸⁷ USPTO, POST-GRANT REVIEW OF PATENT CLAIMS, *supra* note 117.

¹⁸⁸ NAT’L RESEARCH COUNCIL OF THE NAT’L ACADS., *supra* note 33, at 101. This new responsibility may require an increase in APJs. *Hearing, supra* note 61, at 33 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association). The America Invents Act requires the PTO Director to “set[] forth standards and procedures for allowing the patent owner to move to amend the patent . . . to cancel a challenged claim or propose a reasonable number of substitute claims.” Sec. 6(d), § 326(a)(9), 125 Stat. 284, 309.

¹⁸⁹ Sec. 7(c), § 141, 125 Stat. 284, 314 (2011).

¹⁹⁰ *Id.* sec. 6(d), § 326(a)(5), 125 Stat. 284, 308 (2011).

¹⁹¹ *See* USPTO, POST-GRANT REVIEW OF PATENT CLAIMS, *supra* note 117.

¹⁹² Andrew I. Gavil, *The End of Antitrust Trench Warfare?: An Analysis of Some Procedural Aspects of the Microsoft Trial*, 13 ANTITRUST 7, 8-9 (1999).

¹⁹³ FED. TRADE COMM’N, TO PROMOTE INNOVATION, *supra* note 15, at 215.

again) to use the process.¹⁹⁴ And it should ensure the appellate court's deference, as the panel can observe witnesses' demeanor.¹⁹⁵ Similarly, the requester should be able, in the opposition proceeding, to cross-examine any party that submits an affidavit or deposition for the patentee.¹⁹⁶ Such cross-examination could conceivably take place in the oral hearing that is provided for in the America Invents Act.¹⁹⁷

Most of the expense of district court litigation stems from expansive document requests, interrogatories, and other forms of discovery.¹⁹⁸ Post-grant opposition proceedings will offer an advantage over litigation by streamlining discovery. One simple means to control discovery is to not require document productions.¹⁹⁹ Another is provided by the PTO plan, which provides for mandatory limited disclosures but allows discovery only for good cause.²⁰⁰

Disclosures should cover only information related to the potential grounds of an opposition. Because I propose opposition challenges on the basis of novelty, nonobviousness, utility, subject matter, enablement, and written description, the parties can introduce information relevant to these grounds. In contrast, issues dealing with, for example, infringement, inequitable conduct, and inventive activity would not be disclosed.

One example of mandatory disclosures is provided by the local patent rules of the District Court of the Northern District of California.²⁰¹ The rules, which other courts have adopted, require alleged infringers to disclose (1) the grounds on which they rely in claiming invalidity and (2) the prior art supporting their claims of anticipation or obviousness.²⁰² Such disclosures have made it easier for judges to determine validity.²⁰³

¹⁹⁴ *Id.*

¹⁹⁵ *Id.*

¹⁹⁶ *Hearing, supra* note 61, at 32 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association).

¹⁹⁷ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(d), § 326(a)(10), 125 Stat. 284, 309 (2011).

¹⁹⁸ *Discovery Expenditures During Litigation*, IE DISCOVERY, INC. 1-2, http://www.iediscovery.com/files/resources/Discovery_Cost_Percent_0307.pdf (last visited July 14, 2011).

¹⁹⁹ *Hearing, supra* note 61, at 18 (statement of Jeffrey P. Kushan).

²⁰⁰ USPTO, POST-GRANT REVIEW OF PATENT CLAIMS, *supra* note 117.

²⁰¹ N.D. CAL. LOC. PAT. R. 3-2.

²⁰² N.D. CAL. LOC. PAT. R. 3-3 (including grounds such as anticipation, obviousness, indefiniteness, enablement, and written description).

²⁰³ Wayne D. Brazil, *The Honorable William W. Schwarzer: Elevating Visions of What a Judge Should Be*, 28 UC DAVIS L. REV. 1073, 1087 (1995).

Trademark registration disputes provide another potential blueprint. Parties to inter partes proceedings before the Trademark Trial and Appeal Board must make initial disclosures within thirty days of the opening of discovery, and cannot seek discovery until providing the disclosures.²⁰⁴

The America Invents Act limits discovery to “evidence directly related to factual assertions advanced by either party in the proceeding.”²⁰⁵ This standard promises to cabin expensive and lengthy discovery by limiting the universe of issues that can be explored.

Finally, the PTO can take advantage of its expertise. The PTO’s administrative judges’ technical backgrounds allow them to independently assess assertions that parties make in the proceedings.²⁰⁶ In addition, the experience in reviewing patents provides a comparative advantage over courts.²⁰⁷

G. Real Party in Interest

Another contentious issue is whether the requester must disclose its identity. Disclosure could limit patentee harassment and reduce conflicts of interest.²⁰⁸ A conflict could arise if a requester relies on factual evidence or expert opinions in the form of affidavits or declarations.²⁰⁹ In that case, the PTO would not be able to ascertain the relationship between the requester and the party supporting its position.

On the other hand, disclosure could discourage challenges by parties fearing “large infringement targets being painted on their backs.”²¹⁰ Such fear would have a pronounced effect on smaller competitors or rivals that have substantially invested in a product or

²⁰⁴ 37 C.F.R. § 2.120 (2007). The Trademark Trial and Appeal Board is an administrative tribunal of the PTO that determines the registration of marks and has jurisdiction over oppositions, cancellations, interferences, and concurrent use proceedings. U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) §§ 102.01-02, at 6-8 (3d ed. 2011), available at <http://www.uspto.gov/web/offices/dcom/ttab/tbmp/100.pdf>.

²⁰⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(d), § 326(a)(5), 125 Stat. 284, 308 (2011).

²⁰⁶ *Hearing*, *supra* note 61, at 18 (statement of Jeffrey P. Kushan).

²⁰⁷ USPTO, POST-GRANT REVIEW OF PATENT CLAIMS, *supra* note 117.

²⁰⁸ *See, e.g.*, Williams, *supra* note 92.

²⁰⁹ *Cf.* Patents Depend on Quality Act of 2006, H.R. 5096, 109th Cong. § 4 (2006) (noting that opposer who “relies upon factual evidence or expert opinions in the form of affidavits or declarations” cannot refuse to disclose identity).

²¹⁰ Williams, *supra* note 92.

have products on the market.²¹¹ These firms would be especially likely to accept royalty payments rather than taking the risk of reducing the value of their investments from an adverse court ruling.²¹² These concerns are addressed in the America Invents Act, which requires challengers to “identif[y] all real parties in interest.”²¹³

In its patent reform “white paper,” the American Bar Association Section of Intellectual Property Law offered a compromise. It proposed that the requester disclose its identity to the PTO but not to the patent owner unless it relies on affidavit or declaration evidence.²¹⁴ Such a proposal would protect the requester from becoming a target for infringement litigation while allowing the patentee to determine the relationship between the real party in interest and any party submitting a declaration or affidavit. Although the America Invents Act did not adopt such a position, this standard may be worth considering if it appears that oppositions are insufficiently used because of challengers’ fear of identity disclosure.

H. Estoppel Effect

One of the primary failings of the inter partes reexamination statute has been its overbroad estoppel provisions. In preventing parties from subsequently raising any fact at issue in the proceeding as well as any ground that could have been raised, the estoppel provisions have greatly discouraged reexaminations.²¹⁵

Estoppel should apply only to grounds that were raised and addressed in the reexamination. Requesters should not be prohibited from later advancing arguments that they could have raised, but did not, during reexamination. Congress incorporated estoppel provisions in the reexamination statute to “prevent harassment” of patentees and to serve as “the insulation that effectively protects patent holders.”²¹⁶

²¹¹ *Id.*

²¹² *Id.*

²¹³ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(d), § 322(a)(2), 125 Stat. 284, 306 (2011).

²¹⁴ A Section White Paper: Agenda for 21st Century Patent Reform, 2007 A.B.A. SEC. INTELL. PROP. L. 31, available at <http://www.americanbar.org/content/dam/aba/migrated/intelprop/home/PatentReformWP.authcheckdam.pdf>. Disclosure also would be required if the requestor became a party to a Federal Circuit appeal so the judges could determine whether to recuse themselves.

²¹⁵ USPTO, REPORT TO CONGRESS ON INTER PARTES REEXAMINATION, *supra* note 69, at 6.

²¹⁶ 145 CONG. REC. E1788, E1790 (daily ed. Aug. 3, 1999) (statement of Rep. Coble) (harassment); 145 CONG. REC. H6929, H6944 (daily ed. Aug. 3, 1999) (statement of Rep. Rohrabacher) (insulation).

This purpose is directly implicated when a party gets two bites at the invalidity apple.²¹⁷

But issues not raised by the requester do not implicate such a policy. The requester does not get two chances because it does not actually raise the issue during opposition. Limiting estoppel to grounds that are raised also allows parties and courts to avoid determining the elusive issue of the grounds the requesters could have raised.

The second element of estoppel is that the PTO address the argument. Even if a requester raises an issue, it should not be barred from later relying on it if the PTO does not address it. There is no guarantee that the PTO will address all arguments against patentability. If unaddressed issues could lead to estoppel in later proceedings, requesters would be less likely to use the process.

Finally, if the requester could not, at the time of the reexamination, reasonably have discovered new evidence that is material to an issue, then it should not be precluded from later raising the evidence and the issue affected by it.²¹⁸ Such a rule is fair to the requester. And because the evidence could not have been raised, such a rule also does not implicate patentee harassment.

The America Invents Act bars challengers from asserting in litigation a claim of invalidity “on any ground” that it “raised or could have raised” during the opposition.²¹⁹ This threatens the exact same problem that has plagued inter partes reexamination. A preferable system would limit estoppel to those grounds that were raised and addressed in the opposition.

CONCLUSION

The patent system can play an important role in fostering innovation. But this role is not advanced by invalid patents. A post-grant opposition system promises to reduce the number of invalid patents.

Alternative reforms other than an opposition system will not solve the problem. The initial patent examination will not, and should not, be perfect. Litigation is expensive and offers skewed incentives to the parties. And the flaws plaguing the current reexamination systems

²¹⁷ 145 CONG. REC. E1788, E1790 (daily ed. Aug. 3, 1999) (statement of Rep. Coble).

²¹⁸ Patents Depend on Quality Act of 2006, H.R. 5096, 109th Cong. § 12 (2006).

²¹⁹ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(d), § 325(e)(2), 125 Stat. 284, 308 (2011).

have minimized their role. A new opposition system offers a cheaper and more effective means to promote certainty.

The details of an opposition system have been subject to vigorous debate. The system articulated in the America Invents Act offers a defensible starting point. But this Article advocates a more expansive opposition system that bolsters crucial provisions of the legislation — the threshold showing a challenger must make, the timing within which a challenger must file, disclosure of the real party in interest, and estoppel — and seeks to increase use of the process.

In the 21st century, invalid patents are frequently issued. This Article sets forth a system that provides sufficient incentives to challenge patents while still being fair to patentees. Such a system offers significant benefits by focusing on the most valuable patents, increasing the information available to patent examiners, and reducing the number of invalid patents. While the system in the America Invents Act might fulfill some of these purposes, this Article offers an alternate system that can be considered in evaluating the effectiveness of the new procedure.