

Summer 1994

Proposal to Change the Patent Reexamination Statute to Eliminate Unnecessary Litigation, 27 J. Marshall L. Rev. 887 (1994)

Marvin Motsenbocker

Follow this and additional works at: <https://repository.law.uic.edu/lawreview>



Part of the [Business Organizations Law Commons](#), [Courts Commons](#), [Intellectual Property Law Commons](#), [Jurisdiction Commons](#), [Jurisprudence Commons](#), [Litigation Commons](#), and the [Science and Technology Law Commons](#)

Recommended Citation

Marvin Motsenbocker, Proposal to Change the Patent Reexamination Statute to Eliminate Unnecessary Litigation, 27 J. Marshall L. Rev. 887 (1994)

<https://repository.law.uic.edu/lawreview/vol27/iss4/1>

This Article is brought to you for free and open access by UIC Law Open Access Repository. It has been accepted for inclusion in UIC Law Review by an authorized administrator of UIC Law Open Access Repository. For more information, please contact repository@jmls.edu.

ARTICLES

PROPOSAL TO CHANGE THE PATENT REEXAMINATION STATUTE TO ELIMINATE UNNECESSARY LITIGATION

MARVIN MOTSENBOCKER*

INTRODUCTION

The cost of protecting intellectual property in the United States is a major consideration in the operation of this country's patent system. Small companies, which tend to rely on intellectual property rights for survival, enjoy reduced filing and processing fees (small entity status) during the application process in recognition of this fact. However, issuance of a U.S. patent is generally just the first step in securing intellectual property rights since the patent principally allows the holder to sue another in court. The true value of a patent emerges when litigation is threatened. Jury trial litigation can cost as much as \$100,000 per day. Unlike the initial patent application examination procedure, there is no low cost means for a small business involved in possible infringement to pursue or challenge patent rights. The high cost of enforcing patent rights eventually alarmed Congress, which in turn passed the 1980 Reexamination Act. Some of the purposes of that statute were to allow reexamination of patent validity in an impartial forum at one hundred times less cost and to provide greater certainty to a patent holder and its financial backers. However, the reexamination procedure is used far less than originally expected as the courts continue to reexamine patent validity.¹

Congress intended to shift the burden of reexamining patent validity from the courts to the United States Patent and Trademark Office (PTO). Congress gave the PTO the burden of patent reexamination because the PTO not only has the specialized expertise, but

* The author is a Research Associate at the Center for the Advanced Study and Research on Intellectual Property, the University of Washington (Seattle, Washington). Valuable discussions and guidance from Professor Donald S. Chisum are gratefully acknowledged.

1. 1992 COMMISSIONER PAT. AND TRADEMARKS ANN. REP. 30. Congress expected more than 2000 reexaminations per year but only about 350 reexaminations are carried out each year. *Id.* The number of reexaminations increased from 251 in 1989 to 392 in 1992. *Id.*

also because patent validity is a commonly asserted defense in patent litigation. A significant amount of money is spent by court combatants who parade expert witnesses in front of glassy eyed juries in support of arcane and frequently incomprehensible technical patent validity issues. This problem is growing because more patent holders are insisting on jury trials due to the greater chance of proving a patent's validity in front of a jury.² Additionally, this excessive litigation is a financial drain on companies that prefer to expend their resources on research, development, and factories.³

This Article contends that the inexpensive and non-partisan PTO should be used more frequently in America to relieve juries from the task of deciding highly technical patent validity questions. Part I discusses the drawbacks of the current U.S. patent reexamination system. Part II summarizes the European system of patent reexamination. Part III analyzes the effective, yet conservative, 1980 U.S. Patent Reexamination statute.⁴ Finally, Part IV offers a proposal that would promote the increased use of the PTO, followed by Part V which impeaches various arguments which have been proffered against the proposal.

I. THE PROBLEM OF USING LITIGATION FOR U.S. PATENT VALIDITY DISPUTES

The U.S. patent validity litigation problem has international repercussions because of the unique high-cost litigation system required in America to realize U.S. patent rights. In fact, non-U.S. citizen and company filings now account for about half of all applications for U.S. patents. There is a perception that the U.S. litigation system does not treat these applicants fairly and that the U.S. system is not well harmonized with that of other countries.⁵ The U.S. patent reexamination system and its relation to the courts play a role in both concerns. This section will discuss the effect of the current American judicial review of patents on non-U.S. citizens who are often defendants in American courts.

It is ironic that non-U.S. citizens have the right to a jury trial of their "peers" comprised of American citizens.⁶ Some non-U.S. citizens complain that Americans are biased against non-U.S. compa-

2. John B. Pegram, *Patent Jury Actions: Winning for the Defendant*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 493, 493 (1989); Roy E. Hofer, *The Obviousness Issue: The Jury takes over!*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 107, 134 (1989).

3. 1992 COMMISSIONER PAT. AND TRADEMARKS ANN. REP. 12.

4. 35 U.S.C. §§ 301-307 (1984 & Supp. 1994).

5. Clayton Jones, *Japan, US to Clarify Patent Rules*, CHRISTIAN SCI. MONITOR, Oct. 8, 1992, at 8.

6. Pegram, *supra* note 2, at 493.

nies and that jury verdicts often reflect this.⁷ This perception is aggravated when virtually all acts of the PTO, including purely technical decisions, are reviewed by American juries and judges that usually have no training in technology or in patent law. Keeping these technical decisions in the administrative agency created specifically for their resolution would remove this disparity. Moreover, removal of this disparity would alleviate much of the friction between the U.S. and Japan.⁸

Technology generally does not obey political boundaries and intellectual property rights associated with advances in technology should not be limited by parochial national patent law practices. Most foreign and many domestic applicants of U.S. patents also file counterpart applications in foreign countries. Most foreign patent offices use similar criteria for determining patent validity. However, instead of relying almost exclusively on court trials for reexamination of patent validity, other countries use an administrative agency for most of this work. No other country in the world uses a jury for patent litigation.⁹ Rather, the majority of countries use an opposition system and invalidation trials to handle most challenges to patent validity. If challenges to U.S. patent validity were resolved in the technical administrative agency created specifically to do this work, duplication of effort would be eliminated and the U.S. patent system would be more harmonized with foreign patent systems.

II. THE EUROPEAN SOLUTION OF ADMINISTRATIVE PROCEDURES FOR PATENT VALIDITY DISPUTES

Although national courts of European countries can invalidate patents, most challenges take place at the European Patent Office (EPO) via the opposition procedure and by special courts that are set up to handle technical patent issues. The opposition procedure is the most convenient and inexpensive method for challenging patent validity. The European patent opposition system has improved since the time when national laws allowed parties to harass each other over pre-grant oppositions.¹⁰ There does not seem to be any widespread criticism that the present unified EPO opposition system is less fair than the U.S. reexamination/litigation system. A

7. *MITI Requests U.S. Jury Trial Advisors*, 17 J. JAPANESE GROUP A.I.P.P.I. 280 (1992). The Vice Minister of MITI suggested that technical advisors be assigned to the jury in order to correct this perceived problem. *Id.*

8. See Jones, *supra* note 5 for a discussion of U.S.-Japanese discourse to harmonize patent procedures.

9. See Pegram, *supra* note 2 for a discussion of America's use of juries in patent litigation.

10. MARCUS NOLAND & C. FRED BERGSTEN, *RECONCILABLE DIFFERENCES?* 83 n.27 (1993).

quick review of the European patent system in this section will put the United States system in perspective.

The European post-grant opposition procedure allows anyone except a proxy for an unidentified party to oppose a European patent within nine months of its publication. The opposition is heard by a panel of three which may include the original examiner in a non-leadership role. Grounds for patent opposition include almost all grounds used for the original *de novo* review of a patent application. Grounds include lack of novelty, lack of inventive step, and insufficient disclosure. The patentee is granted one chance to respond to an opposition as a matter of right. Thereafter, observations from the parties are only admissible by discretion of the EPO and are limited to what is necessary and expedient. Oppositions from more than one party may be combined and anyone may request an oral proceeding in which each party may speak twice. European oppositions can be quite lengthy and expensive. For example, Biogen's recombinant-DNA alpha-interferons patent was revoked in an interference proceeding commencing two and one-half years after it was issued.¹¹ The appeal process to such revocations can be expected to last two years.¹²

Compared to the U.S. patent reexamination procedure, the scope of review for European patent opposition is much wider and the freedom of EPO examiners to ask for help from parties is greater.¹³ EPO examiners can even ask for a court proceeding to obtain evidence or to review evidence under oath that was previously submitted in paper form. The examiners have to be able to transact business in three languages (English, French, and German) and to have undergone extensive legal training. In the four year period between 1988 and 1991, 93,738 European patents were granted and 7160 patents, or about 7%, were opposed.¹⁴ Patent claims were modified in about 40% of opposed patents. About 30% of opposed patents were invalidated, and about 30% of the patents were not changed by the opposition. Because two-thirds of opposed patents are modified or invalidated, the opposition procedure is very important to companies that are adversely affected by newly issued patents. The European opposition procedure is used (1900 per year) more often than the U.S. reexamination system (350 per

11. *Biogen to Appeal Decision Cancelling its European Patent on Alpha Interferon*, MCGRAW-HILL'S BIOTECHNOLOGY NEWSWATCH, Jan. 5, 1987, at 5.

12. *Id.*

13. Decision of Technical Board of Appeal 3.3.1, 12 OFFICIAL J. EUR. PAT. OFF. 470 (1990). The EPO Technical Board of Appeal held that after the initial response to a notice of opposition, "observations from the parties are only admissible in the exercise of the discretion of the Opposition Division or a Board of Appeal, if such observations are necessary and expedient." *Id.*

14. 1991 EUR. PAT. OFF. ANN. REP. 78-79.

year).¹⁵ It is suggested that the opposition system in Europe more effectively reduces the need to contest patent claim validity in litigation.

Litigants may challenge the validity of patents in special courts in certain European countries. For example, in the United Kingdom, the Chancery Division has a special trial court to rule on patent infringement issues and has the power to invalidate patents.¹⁶ Germany also has a special court in Munich to decide all patent validity issues.¹⁷ Trials in these and other national courts are more expensive and court jurisdictions are limited to their respective countries. Filing an opposition at the EPO is therefore a preferred method to invalidate a patent.

Although the courts can be used to invalidate patents, in practice there are disadvantages. Courts require too much of a litigant's time and money to decide validity. The enforcement of patents is consequently delayed. Another problem is that sometimes the validity of a European patent may be simultaneously reexamined by a national court and by opposition at the EPO. This happens especially in Germany and the United Kingdom. Some national courts routinely stay their proceedings to await the results of the opposition at the EPO; others do not.¹⁸ These problems with the European system are similar to the present problems with the U.S. system. The Europeans are gradually relying on an administrative agency, the EPO, to handle reexamination of patent validity in opposition proceedings. Although this is a departure from the past, opposition, with appeals, can delay the affirmation of patent validity for a few years but in general there is satisfaction with the European patent system. In fact, when three hundred American companies were asked to compare their experiences with the U.S., European, and Japanese patent systems, they overwhelmingly preferred the European system.¹⁹ Although there are various reasons for this, the reliance on an administrative body to reexamine patents in place of court trials is undoubtedly one positive feature of the system. U.S. patent law has also shifted some responsibility for patent validity examination from the courts to the administrative agency with the expertise and objectivity to handle the technical issues involved. Congress decided to give more responsibility for patent reexamination to the PTO because it wanted a low cost forum for companies to validate their patents. As a result, it enacted

15. 1992 COMMISSIONER PAT. AND TRADEMARKS ANN. REP. 30.

16. Thomas H. Case & Scott R. Miller, Note, *An Appraisal of the Court of Appeals for the Federal Circuit*, 57 S. CAL. L. REV. 301, 318 n.103 (1984).

17. *Id.* The patent court in Germany has five judges, four of whom have technical training. *Id.*

18. GERALD PATERSON, *THE EUROPEAN PATENT SYSTEM* 230 (1992).

19. 1993 U.S. GEN. ACCT. OFF. REP. GGO-93-126.

the 1980 patent reexamination statute.²⁰

III. THE 1980 U.S. PATENT REEXAMINATION STATUTE

The need to reexamine patent validity in a non-litigious forum initially led many patent holders to seek "no defect" reissue patents outside the scope of the reissue statute.²¹ In 1977, the "Dann Amendments" allowed interested parties to submit adverse information and challenge the reissue seeker by a quasi *inter partes* proceeding.²² A patent owner seeking a reissue often discovered that an *ex parte* proceeding could turn into an *inter partes* procedure where all issues of validity, including fraud, were brought up. The protracted reissue proceedings available under the Dann Amendments were finally abolished by repeal of the amendments in 1982.²³ However, the need to reexamine patent validity remained. The experience with the Dann Amendments indicated that proper reexamination requires a balance of *inter partes* and *ex parte* procedures. Courts can judge demeanor testimony and are best for *inter partes* proceedings. The PTO can decide technical issues and is best for *ex parte* proceedings. Both demeanor testimony and technical issue resolution are needed for reexamination of patent validity and it would seem that under the present U.S. system, both the courts and the PTO should play a role.

The major purpose of the 1980 Reexamination Act was to strengthen issued U.S. patents and make their validity more certain.²⁴ In particular, Congress was concerned about the effects of litigating patent validity on the financial health of American companies.²⁵ Congress felt that the PTO could reexamine patent validity for 100 times lower cost than a court and that about 2000 patents would be reexamined each year.²⁶ The yearly total of petitions for reexamination to the PTO has reached about 350 per year. Since about 1400 patents are litigated each year, statutory reexamination has not been a solution to the expensive lawsuit problem.²⁷

20. 35 U.S.C. §§ 301-307 (1984 & Supp. 1994).

21. *Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1558 n.2 (Fed. Cir. 1984).

22. *Id.* at 1558.

23. *Id.*

24. H.R. REP. NO. 1307, 96th Cong., 2d Sess., pt.1, at 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463.

25. *Id.*

26. *Id.* Congress intended to allow patent holders and challengers to avoid the high costs and delays of patent litigation. *Id.*

27. Victor G. Savikas, *Survey Lets Judges Render Some Opinions About the Patent Bar*, NAT'L L.J., Jan. 18, 1993, at 57. In the 12 months ending June 30, 1992, district courts heard 1407 patent cases. *Id.* Fifty one percent of these were by jury trial. *Id.* Forty one percent of the judges queried believed that a special patent court should try patent cases. *Id.* Seventy percent said that they never appoint special masters, and twenty five percent said they rarely do. *Id.* Less than one percent of the judges who responded to the poll said they rou-

Statutory reexamination has great potential to assist the courts in technical matters under litigation. Presently, reexamination results, if available, are given deference by courts and juries who realize their own limitations in understanding advanced technology.²⁸ Courts will often stay proceedings to wait for reexamination that can lead to "simplification of litigation that might result from the cancellation, clarification, or limitation of claims, and . . . provide valuable analysis . . ." ²⁹ Thus, there is an awareness in the judiciary that the PTO has a role to play in litigation.

A. *Narrow Scope*

Only a few patent validity technical issues can be reexamined under the 1980 Reexamination Act. Unlike the European opposition-based reexamination procedure, a requester can only present patents and publications relating to novelty and non-obviousness issues.³⁰ Questions such as enablement of claims from the specification are not reexamined by the PTO, except when new or amended claims are presented.³¹ Instead, such claims are examined by courts in accordance with federal law, and are referred to as Section 112 questions.³² Determining whether a patent specification supports claim language seems to be just the sort of technical issue that the PTO was established to resolve. However, court litigation is still the exclusive route for reexamination of Section 112 questions.³³

On the other hand, patent reexamination by the PTO should be limited to technical issues that do not require extensive demeanor testimony. It is important to keep in mind that the courts use a wider scope of claim interpretation and a different burden of proof when examining the claims of the patent challenger. Reexamination by the PTO can never take the place of a comprehensive analysis in a court trial. However, courts usually defer to the findings of the PTO concerning technical matters. Thus, it is important that if reexamination is done, it must be carried out properly by experienced examiners. Furthermore, the adversely affected parties' due

tinely appoint experts to assist the court. *Id.* This situation is quite different from that in Europe where special courts comprised of technically trained judges and special masters trained in technology hear invalidation trials. Case & Miller, *supra* note 16, at 318 n.103. This situation is also quite different from that of the PTO, which only uses technically trained examiners to determine patent validity issues.

28. See Savikas, *supra* note 27, at 57.

29. *Ethicon v. Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988).

30. 35 U.S.C. § 302 (1984 & Supp. 1994).

31. *Id.*

32. 35 U.S.C. § 112 (1984).

33. *Id.*

process rights to be heard during the reexamination and to appeal the reexamination results should be preserved.

B. Absence of Mandatory Reexamination Proceedings

Statutory reexamination findings often do not have an impact on litigation because they are usually not available at the early stages of a lawsuit when they would be most helpful to resolve a conflict. There are two reasons for this. One is that reexamination is not started on a timely basis. Reexamination requests are frequently made after initiation of a lawsuit. The second reason why reexamination findings are unavailable is the length of time required for reexamination through the appeals process. It frequently takes over a year to reexamine and appeal reexamination findings. If reexamination were better coordinated with litigation so that results were timely available, courts would be more willing to stay proceedings and to use reexamination findings to save time and money as desired by Congress when it enacted the reexamination statute.

The problem of when to initiate reexamination of patents involved in litigation was considered by Congress.³⁴ An earlier version of the reexamination legislation would have required any patent or publication relied on as evidence of patent invalidity during litigation to have been first considered by the PTO.³⁵ Unfortunately, the final reexamination law passed by Congress does not include this provision; this has resulted in general confusion.³⁶ For some years there was a contest between the PTO and the courts to determine which forum would interrupt patent validity proceedings in order to wait for the other to make a final decision. This situation evolved from the fact that both the PTO and the courts can invalidate patents.³⁷ An extreme example of this confusion is the ten year long *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*³⁸ litigation. There, reissue of the relevant patent was requested one year before litigation and the defendant requested reexamination four years into the litigation.³⁹ However, after approximately nine years of litigation in which the patent claims were rejected several times, the PTO had not rendered a binding

34. 35 U.S.C. §§ 301-302 (1984 & Supp. 1994).

35. Robert B. Benson, *The New Reexamination Law-A Legislative History*, 9 AM. PAT. L. ASS'N Q.J.3d 227, 228 (1980).

36. *Id.* A key feature of the original system proposed by the Patent, Trademark and Copyright Law Section of the American Bar Association in 1974 was to prevent the use of prior art patents or publications in litigation to invalidate a patent unless they were first presented to the PTO. *Id.*

37. See 35 U.S.C. § 146 (1984 & Supp. 1994).

38. 720 F. Supp. 373 (D. Del. 1989).

39. *Id.* at 375.

decision.⁴⁰ The court noted that a seasoned decision by the PTO might save a great deal of court time and expense, and provide valuable insight into the contents of a patent.⁴¹ It lamented that the law did not require an infringement defendant to make a timely request for reexamination.⁴² Part of this problem was solved when the Court of Appeals for the Federal Circuit (CAFC) declared in *Ethicon v. Quigg*⁴³ that the statutory meaning of "special dispatch" did not allow suspension of patent reexamination pending the outcome of co-pending patent validity litigation in a district court.⁴⁴ The timing problem would be more fully solved if filing a reexamination request were a requirement for asserting patent invalidity as an affirmative defense in patent litigation.

The second time related reason why patent reexamination does not promote the early settlement of patent disputes is that patent reexamination through the appeals stage can take considerable time. Unlike the European opposition system which uses a panel of experienced examiners in the Opposition Division, the PTO often begins reexamination by giving the work to the original examiner of the patent. Appeals from this examiner have to pass through the board and then to the CAFC. The time required to exhaust appeals from reexamination findings should be decreased in order that reexamination results be timely available to settle disputes. Congress responded to the need for rapid settlement of these special patents by having PTO reexaminations conducted "with special dispatch."⁴⁵ It is equally important that reexamination through appeal to the CAFC be conducted with special dispatch. The small number of patents which enter litigation require the greatest amount reexamination and have the most property rights at stake. Thus, for expediency, and to ensure that the best qualified examiners handle reexamination, it is suggested that reexamination be carried out by the PTO board and that three experienced examiners handle each reexamination. The PTO board's results should be appealable by any party directly to the CAFC. This change would also decrease the possibility that the original examiner would have too much influence on reexamination.

Ideally, reexamination should be requested at the very beginning of, if not before, litigation. Reexamination results should be available before motions for trial. If the reexamination statute could be modified to approach this ideal there would be more out of court settlements and fewer expensive trials. This is especially true

40. *Id.*

41. *Id.* at 377.

42. *Id.*

43. 849 F.2d 1422 (Fed. Cir. 1988).

44. *Id.* at 1425-26.

45. 35 U.S.C. § 305 (1984 & Supp. 1994).

given the recent trend of juries upholding patents and giving greater deference to PTO findings.⁴⁶

C. *Due Process and the Right of Appeal*

The strongest criticism of reexamination is that a non-patentee reexamination requester has no right to participate in reexamination after its initiation and cannot appeal the results, yet the non-patentee can be adversely affected by reexamination. Juries and judges are often reluctant to challenge reexamination results.⁴⁷ Therefore, the requester is usually in fact bound by the reexamination results. This inequitable situation is probably responsible for the infrequent use of reexamination by non-patentees. The non-patentee's rights were debated at length by the American Bar Association (ABA) committee which conceived the original reexamination proposal.⁴⁸ The patent attorneys on this committee decided that the final decision on patent validity should not be made in the PTO (similar to the European system), but that the courts should have the final say in the matter.⁴⁹ Furthermore, there was a concern that the infringer might prejudice his position in the district court if he participated to any significant degree in an *inter partes* proceeding in the PTO.⁵⁰

Because of the technical complexity of patent litigation, it appears that the fears of the committee that developed the reexamination system have been realized anyway. Technical validity determinations are being made in the PTO and many courts are not, in reality, having the final say because many judges and juries realize their technical limitations and give great weight to the PTO's findings.⁵¹ Therefore, the non-patentee reexamination requester is already prejudiced.

There are at least three solutions to this problem. One solution is that the courts follow the Japanese suggestion and give juries their own technical experts to help them deliberate technical issues.⁵² A second solution is to adopt the European practice of delegating technical issues to administrative or judicial bodies (either the patent office or special patent courts or both) that have specialized technical expertise.⁵³ A third solution is to acknowledge the de facto delegation of highly technical determination of patent validity

46. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 605 (Fed. Cir. 1985).

47. *Id.*

48. Benson, *supra* note 35, at 228.

49. *Id.* at 229.

50. *Id.* at 231.

51. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 605 (Fed. Cir. 1985); Savikas, *supra* note 27, at 57.

52. See *supra* notes 6-7 and accompanying text for a further discussion of jury bias and incompetence.

53. Case & Miller, *supra* note 16, at 318 n.103.

to the PTO and make the procedure more equitable to the non-patentee by making it *inter partes* and allow appeal by all parties. It seems that as technology becomes more complicated to explain to the layperson, this problem will only get worse and it is inevitable that technically trained persons be relied on to determine the technical problem of patent validity. The issue is no longer whether this should be done. The issue is how can we design a more neutral environment where technical experts can do their job without the corruptive influence of payment for particular opinions in *inter partes* litigation. More just results can be had by relying on the PTO or on specialized courts that have their own, unbiased technical experts. The federal circuit already has technical law clerks. If it is unacceptable to rely on the PTO for patent reexamination, then technical law clerks should be supplied to courts which hear patent and other technology-related litigation. As a start, certain districts in which this kind of litigation is concentrated, e.g., Delaware, the Northern District of California, and the Eastern District of Virginia could be given technical law clerks, and venue for patent cases could be restricted to these districts. This could be paid for by raising the court filing fee for patent cases.

A second argument against an *ex parte* reexamination system is that Congress intended for reexamination to be an alternative to litigation for patent validity. In order to rely on reexamination, it is essential that adversely affected parties be given a chance to participate and to appeal the results. There was an attempt by the ABA to give the non-patentee the right to respond once as a matter of right to the patentee's response to the decision of the PTO to conduct reexamination (but before the first office action of the reexamination).⁵⁴ However, this greatly diluted provision is rendered meaningless by the procedural strategy whereby the patentee simply waits until the first office action after the reexamination has started. This effectively prevents the reexamination requester from having any input into the proceeding. Consequently, the reexamination requester must make serial reexamination requests and incur delays in order to have any input to the reexamination process. The non-patentee should have an opportunity to brief a board of three experienced examiners who would carry out the portentous responsibility of reexamining a patent that has entered litigation. Furthermore, the requester should be allowed to appeal the findings and to be bound by them. Equally important is that by allowing a second brief during reexamination, the requester can more confidently and quickly file a reexamination request during the

54. See *supra* note 35 and accompanying text for a further explanation of when a patent can and should be reexamined.

first responsive pleading in litigation based on a possibly incomplete prior art search.

IV. PROPOSAL TO STRENGTHEN THE REEXAMINATION STATUTE

The nexus of the reexamination problem is how to coordinate the courts with the PTO so the best parts of each are utilized to resolve patent validity questions. The PTO was created to search and examine new technology and to grant patent rights. It theoretically contains an impartial pool of technical expertise for this purpose. And, to ensure that patent issues are handled properly, all legal professionals who practice before the PTO must have technical training and pass a special bar. The courts, on the other hand, do not contain the technical expertise of the PTO but are best at handling issues decided by demeanor testimony. Even if technically trained law clerks were available, they would have to be used by juries as well as judges since juries often make decisions concerning scientific merit.⁵⁵ It is difficult for courts to decide correctly technical issues through drawn out jury trials in which expert witnesses, who themselves often do not comprehend intellectual property concepts, battle over the meaning of technical advances in front of uncomprehending juries. The courts and the PTO have complementary talents. This Article proposes that the most efficient disposition of patent validity reexamination requires both the courts and the PTO.

To better coordinate the courts with the PTO, three major changes are needed. One, technical issues which are best handled by the PTO should be delegated to it. The PTO should prosecute reexaminations at the level of the Board of Patent Appeals and Interferences by experienced examiners with the additional purpose of assisting the courts. The board should be required to give full statements of reasons for allowing claims so that its work product could be more fully used by the courts. Two, reexamination should be mandatory and timely filed by parties who intend to present patent invalidity as a defense in litigation. Three, a reexamination requester should be given a genuine opportunity to file a response during the reexamination and both parties should be given the right to appeal to the CAFC. The requester, like the patentee, would be bound by the results.

It is suggested that the first five of the following list of patent validity questions decided by litigation be delegated to PTO reex-

55. See Benson, *supra* note 35 at 231. Although the ultimate issue of validity is a question of law, several elements of this issue such as anticipation, obviousness, novelty, and utility are total or mixed fact questions. Ronald B. Coolley, *Patent Jury Issues: What the Federal Circuit has Done and Will do in Comparison with Standards of Review Established by the Other Circuit Courts*, 67 J. PAT. & TRADEMARK OFF. SOC'Y 3, 16-17 (1985).

amination. However, federal district courts can review and set aside PTO reexamination findings under the clearly erroneous standard.⁵⁶ Therefore, exclusively delegating these first five validity questions to the PTO would not obviate the court's role in overseeing the reexamination process.

DELEGATION OF PATENT VALIDITY QUESTIONS BETWEEN THE
COURTS AND THE PTO

Validity Question	Present Forum	Proposed Forum
double patenting	PTO & court	PTO
novelty	PTO & court	PTO
non-obviousness	PTO & court	PTO
enablement (§ 112) ⁵⁷	court	PTO
invention description (§ 112) ⁵⁸ (benefit of previous filing)	court	PTO
best mode (§ 112) ⁵⁹	court	court
invention priority	court	court
public use	court	court
wrong inventor	court	court
invention date	court	court
fraud and misrepresentation	court	court

Reexamination requests directed to the first five issues listed above must be timely and the PTO must carry out reexamination quickly so that the courts may use the results. A party involved in an infringement suit should be required to file a reexamination request for any patent whose invalidity based on these five issues will be asserted as a defense at trial. The reexamination request must occur before or at the same time as the first responsive pleading in order to preserve the patent invalidity defense. Mandating a request for reexamination at such an early time would not be an unreasonable burden. This is because the reexamination requester would have the right to make a further response later in the reexamination proceeding and would have the right to appeal the findings. The PTO carries out reexamination by "special dispatch" under the present rules and, since the *Ethicon* decision, does not stay proceedings in order to wait for a court settlement.⁶⁰ A problem which continually surfaces is the time required to process appeals from reexamination findings. This problem would be alleviated if reexaminations were conducted by the PTO board and if the findings could be appealed to the CAFC.

56. *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1037 (Fed. Cir. 1985).

57. 35 U.S.C. § 112 (1984).

58. *Id.*

59. *Id.*

60. *Ethicon v Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988).

It is very important to allow the party requesting a reexamination an opportunity to submit comments during the reexamination. The U.S. examiner should have the same freedom as the European opposition examiner to ignore submitted evidence and to request further evidence from any party. It would also be useful, considering the *res judicata* effect of reexamination, that the U.S. examiner, like her European counterpart, be able to request a court to obtain or to reconsider evidence for the reexamination. This would more fully utilize the court's expertise in judging demeanor testimony. Additionally, the volume of submissions could be limited by using page limits and providing a "preliminary statement" as is done now at the beginning of interference proceedings.⁶¹

This proposal would allow a more efficient utilization of the PTO's technical expertise. It would eliminate unnecessary duplication in which both a court and the PTO separately determine patent validity. About 1,400 patent suits are filed each year,⁶² or approximately the level of reexaminations expected by Congress when it enacted the reexamination statute. Since the PTO recovers its cost by charging an appropriate user's fee, the proposed changes would not greatly burden the PTO. Another advantage is that the proposal would make the U.S. patent system more harmonized with other countries.⁶³ U.S. patent applicants who are based overseas would no longer feel as victimized by a highly litigious system based on nationalistic jury trials.

V. COUNTER-ARGUMENTS TO THE PROPOSAL

Possible criticisms of the proposed changes to strengthen statutory reexamination and increase reliance on it for resolution of patent disputes include arguments that: reexamination removes the presumption of validity that exists in court trials for patent infringement and is too disadvantageous to patentees; reexamination will not significantly decrease the work load of the courts because courts and the PTO use different reexamination criteria; making reexamination an *inter partes* proceeding has great potential for abuse and delay, and most importantly; shifting the responsibility for reexamination from the courts to the PTO unconstitutionally strips away the right to trial by jury. Although these are genuine concerns, the proposed changes would not produce these negative effects. This section addresses each concern seriatim.

61. Papers, which the rules do not authorize or which the examiner-in-chief requests, can be returned unfiled; preliminary statements are filed at the beginning of an interference. *MANUAL OF PAT. EXAMINING PROC.* 2300.02 (1993).

62. Savikas, *supra* note 27, at 57.

63. Jones, *supra* note 5, at 8.

A. *The Presumption of Patent Validity*

Statutory reexamination does not violate the presumption of patent validity. The purpose of statutory reexamination is to remedy patent administration error. The statutory presumption of patent validity is not a property right subject to constitutional protection against the scope of reexamination statutes.⁶⁴ Another criticism is that once reexamination is opened, the PTO is not limited to the arguments presented by the requester and that other reasons for invalidating the patent may be considered *sua sponte* by the examiner. This argument misses the point that the purpose of reexamination is to correct mistakes made by the PTO and neglects to consider the fact that the PTO has the power to reexamine patents *sua sponte*. Additionally, reexamination, because of its rigor-ousness, usually results in a stronger patent which is more difficult to challenge in court proceedings.

B. *Decreasing Court Congestion*

Reexamination currently is given great deference by the courts and this would increase if the proposed changes were made. Although the courts use a much wider scope of review when examining patent validity, in practice they defer to the technical findings of non-partisan administrative agencies which are responsible for making technical judgements. The proposed changes would only broaden the purview of PTO reexamination to include technical issues that it is particularly well equipped to reexamine but which it is not currently allowed to do.

Some commentators feel that administrative agency expertise is well respected and that courts are often reluctant to substitute their lay judgement for the expertise of an administrative agency.⁶⁵ This is, in fact, a major reason why juries are perceived as being pro-patentee and why, unlike the situation in other civil litigation, most patent litigation is carried out by jury trial.⁶⁶ It could even be argued that under present rules, statutory reexamination has too

64. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985). The court in *Patlex* stated that "even accepting [a party's] argument, any adverse effect of loss of this presumption, balanced against the public purpose of the reexamination statute, would not negate the constitutional validity of this retroactive statute." *Id.* at 605. The court also held that the patentee suffered no Seventh Amendment or Article III deprivation by virtue of the reexamination. *Id.* at 604.

65. E. Brendan Magrab, *Patent Validity Determinations of the ITC: Should U.S. District Courts Grant Them Preclusive Effect?*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 125, 127-38 (1993). Magrab points out that judges often defer to experts and agency decisions because agencies are created to deal in limited areas of expertise. *Id.* at 139.

66. Hofer, *supra* note 2, at 107. See Savikas, *supra* note 27, at 57 (discussing judges' opinions about patent cases).

much influence on the courts in view of the fact that the non-patentee has no right to participate in or appeal the results of reexamination. Thus, the opposite problem of prejudice to the non-patentee needs to be addressed by giving this party the right to appeal patent reexamination findings.

C. Abuse of Inter Partes Proceedings

Patent reexamination must be *inter partes* if it is to achieve its purpose of providing an inexpensive forum for validating patents. When the present reexamination system was designed there was great concern that reexamination avoid the problem of chaotic *inter partes* proceedings. Opponents may contend that replacing a court proceeding with an administrative proceeding for settling purely technical issues would create problems similar to those experienced under the Dann Amendments. However, the only way to keep all disputed technical questions solely in the courts would be to eliminate the present reexamination system. Congress wanted the PTO to decide technical matters because it originally created the PTO to do this and because of the high cost and potential for abuse in using the courts for resolution of technical issues.⁶⁷ Since the PTO has the power to conduct reexamination, the issue is how can the PTO avoid abuses that tend to go with *inter partes* proceedings. It is suggested that the PTO board be given wide discretion both to solicit information from any party and to ignore unsolicited information from parties involved in *inter partes* proceedings. The EPO has experience in this area and evolved a policy of wide examiner discretion to curb abuses in the opposition procedure.⁶⁸

It could be argued that as long as technical issue determination cannot be done in a purely *inter partes* manner, the potential for abuse will exist and have to be dealt with. The real issue then is how best to combine technical expertise with *inter partes* information in a non-partisan manner.

D. Seventh Amendment Limitations

The proposal would improve efficiency of enforcing intellectual patent property rights by transferring technical fact finding from the jury to the PTO. Thus, the Seventh Amendment right to jury trial is an issue which must be addressed. Although patent obviousness is generally considered to be a question of law, district courts frequently let the jury rule on obviousness and assume that factual findings were made to support the verdict. In fact, the

67. H.R. REP. NO. 1307, 96th Cong., 2d Sess., pt.1, at 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463.

68. See *supra* note 13 and accompanying text for a discussion of the EPO's opposition process.

CAFC prefers that the trial court determine the jury's role in the obviousness decision prior to trial. However, when the jury gives a verdict that answers the legal question of obviousness, the CAFC will presume the jury found the facts necessary for its conclusion and will review the record using the "substantial evidence" test.⁶⁹ This begs the question of whether a jury is needed for technical patent deliberations by administrative agencies. Extensive case law concerns patent validity determination in a non-jury forum.⁷⁰ Some of this case law directly addresses whether a right to jury trial exists for patent validity issues determined by the PTO in a reexamination proceeding.⁷¹

Patent validity is already subject to reexamination by a non-Article III court and by administrative agencies without the benefit of jury trials. The U.S. Claims Court determines patent validity and allows no jury trials. In 1984 this court was said to have had more patent litigation than any other court in the country and had two patent law trained judges. This court follows the same substantive law as that used in the district courts and often rules on patent validity. Although the defendant in U.S. Claims Court suits is the government, patent validity holdings have estoppel value and influence the licensing of patents to private businesses.

Another strictly non-jury forum is the International Trade Commission (ITC). A patent holder can sometimes choose to sue in an ITC administrative proceeding instead of a district court. The ITC administrative court rules on patent validity in patent infringement cases although its jurisdiction is limited to international trade matters and invalidation of patent claims does not have estoppel effect in district courts. The CAFC is the appellate court for the ITC and is not bound by legal conclusions of the ITC. The CAFC reviews findings of the ITC under the "substantial evidence" standard while ITC conclusions of law such as patent validity are freely reviewable as they are for district courts.⁷² Assuming that a jury is only responsible for questions of fact and that a court is responsible for findings of law, the standard of review for ITC patent validity decisions is not that different from the standard of review for district court patent validity decisions.

Additionally, the ITC demonstrated its independence from patent validity decisions of the district courts in *In re certain Steel Rod Treating Apparatus and Components Thereof*.⁷³ In *Steel Rod*, the

69. Magrab, *supra* note 65, at 138.

70. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985).

71. *Id.* at 603.

72. *American Hosp. Supply Corp. v. Travenol Lab., Inc.*, 745 F.2d 1 (Fed. Cir. 1984).

73. *In re certain Steel Rod Treating Apparatus and Components Thereof*, 215 U.S.P.Q. 237 (Int'l Trade Comm'n 1981).

ITC found a patent to be valid but a district court subsequently found the same patent to be invalid.⁷⁴ The ITC issued a temporary restraining order while the district court case was appealed to the Court of Appeals for the Fourth Circuit.⁷⁵ The argument has been made that courts can and should defer to agency decisions such as those from the ITC and PTO because these agencies are created to supply expertise in particular areas and are responsible for looking after public rights in their respective fields.⁷⁶

The PTO has statutory authority to determine the validity of issued patent claims involved in interferences and in reexaminations. Congress significantly broadened this authority since 1980. Before the new interference rules were established in 1984, adverse findings of issued patent invalidity had no effect because such proceedings resulted in dissolution of the interference.⁷⁷ Under the new 1984 rules, however, a finding of patent invalidity in an interference results in cancellation of the claims by the PTO. Although the PTO does not use a jury, an adversely affected party can seek review of the *ex parte* rejection of the patent application by civil action in a district court.⁷⁸ However, in this event the facts found by the PTO will be treated with the same standard of review as facts determined by a jury.⁷⁹ Thus, the PTO's work product will normally not be challenged by a jury.

The 1980 reexamination law allows de novo reexamination of patent validity by the PTO.⁸⁰ Administrative agency adjudication of public rights associated with new technology is compatible with Seventh Amendment jury rights due to the "public rights" doctrine. This doctrine allows Congress to create public rights through statutes and to decide whether these rights require a jury trial. Whether patent rights fall under this doctrine is not completely clear.

An important case directed to the problem of whether public rights should be decided by jury trial is *Atlas Roofing Co. v. Occupa-*

74. *Id.*

75. See Magrab, *supra* note 65, at 127. Some commentators feel that most ITC decisions receive preclusive effect in U.S. district courts, but that this is not always true in patent cases. Some advance the view that patent validity determinations by the ITC should receive a rebuttable presumption of preclusive effect, and therefore, the burden should be on the challenging party to prove that she did not have a full and fair opportunity to litigate the issue of patent validity in the ITC hearing.

76. *Id.* at 138; see also *GPAC, Inc. v. D.W.W. Enter.*, 144 F.R.D. 60, 65 (D. N.J. 1992).

77. 49 FR 48416, 48455 CFR 1.601.

78. 35 U.S.C. § 146 (1984 & Supp. 1994).

79. *Id.* "The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit." *Id.*

80. 35 U.S.C. §§ 301-307 (1984 & Supp. 1994).

tional Safety and Health Review Commission.⁸¹ In *Atlas Roofing*, the Supreme Court stated that in creating new "public rights," Congress could assign their adjudication to an administrative agency with which a jury trial would be incompatible.⁸² The public rights doctrine originated in the 20th century with the proliferation of new public rights and administrative agencies to protect them. Patent rights, on the other hand, have existed as long as Congress itself and may not be new public rights created by Congress according to *Atlas Roofing*.⁸³ Perhaps a better way to understand the problem is to look at the bundle of patent rights as a composite of private common law rights and the public right to exclude others.⁸⁴ This approach was taken by a district court in *Joy Technologies v. Quigg*.⁸⁵ In *Joy Technologies*, the patent holder claimed that the PTO decision to conduct a reexamination and the subsequent adverse decision from that proceeding were unconstitutional because the reexamination process violates due process and the Takings Clause.⁸⁶ The court in *Joy Technologies* declared that a patent owner has a common law right to use its invention but that this common law right is separate from the public right to exclude others.⁸⁷ The public right to exclude is statutory and reexamination of a patent only affects statutorily created public rights.⁸⁸ The court in *Joy Technologies* followed *Crown Die & Tool Co. v. Nye Tool & Machine Works*, a 1923 decision.⁸⁹ In *Crown Die & Tool Company*, the Court stated that all a patentee acquires from a patent grant is the statutory right to exclude and that the common law right to make, use and vend one's own invention was not subject to the patent statutes.⁹⁰

The possible conflict between the constitutional right to a jury and patent reexamination in the PTO was addressed by the *Patlex Corp. v. Mossinghoff* laser patent litigation.⁹¹ This culminated in the filing of a suit by Patlex against the PTO commissioner over reexamination of two Patlex patents that issued before the reexamination statute was enacted.⁹² Patlex contended that retroactive application of the 1980 reexamination statute violated due process and that reexamination of its patents by the PTO violated the Sev-

81. 430 U.S. 442 (1977).

82. *Id.* at 450.

83. *Id.*

84. See *Joy Technologies v. Quigg*, 12 U.S.P.Q.2d 1112 (D.C. Cir. 1989).

85. 12 U.S.P.Q.2d 1112 (D.C. Cir. 1989).

86. *Id.* at 1113.

87. *Id.*

88. *Id.*

89. *Id.*

90. *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 39 (1923).

91. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 602 (Fed. Cir. 1985).

92. *Id.* at 597.

enth Amendment right to a jury trial.⁹³ Both a district court and the CAFC held that the presumption of patent validity is not a property right subject to protection by the Constitution against re-examination.⁹⁴ They further held that, even if the statutory presumption of patent validity was a property right, this would not negate the constitutional validity of the reexamination statute.⁹⁵ The reasoning which the CAFC gave was that the reexamination statute belongs to "the class of 'curative' statutes designed to cure defects in an administrative system."⁹⁶ The *Patlex* court referred to a prior Supreme Court holding in which the Court commented:

Where the asserted vested right, not being linked to any substantial equity, arises from the mistake of officers purporting to administer the law in the name of the Government, the legislature is not prevented from curing the defect in administration simply because the effect may be to destroy causes of action which would otherwise exist.⁹⁷

An important element of the analysis was the recognition that fair opportunity for judicial review and full respect for due process is essential in the reexamination of patents.⁹⁸ The CAFC stated that "[w]hen these standards are met, the Constitution does not require that we strike down statutes, otherwise having a reasonable legislative purpose, that invest administrative agencies with regulatory functions previously filled by judge and jury."⁹⁹

The more pertinent constitutional challenge therefore is not whether a jury has the right to compete with the PTO in determining patent validity, but rather, whether the due process right to judicial review is maintained at all times during reexamination by the PTO. As long as the PTO has responsibility for conducting reexamination, the reexamination findings will have the effect of estoppel on at least one side of each disputed issue. It follows that the proceedings must be *inter partes* and all parties must have the right to appeal the reexamination results in recognition of this fact.

CONCLUSION

A patent system requires a mechanism whereby companies and individuals adversely affected by a patent right can challenge the granting of the patent by the granting agency. The European community handles this problem via an opposition system whereby a party can submit evidence and arguments for invalidating a patent, and through specialized courts that have expertise to review techni-

93. *Id.* at 604.

94. *Id.* at 598.

95. *Id.* at 603.

96. *Patlex Corp.*, 758 F.2d at 603.

97. *Id.* at 602.

98. *Id.* at 604.

99. *Id.*

cal matters. The U.S., however, relies on an expensive litigation system which often employs technically illiterate juries to decide factual matters concerning whether advances in science and technology are novel and unobvious.

Congress addressed this problem by enacting the reexamination statute in 1980. The statute, though flawed, is a good step in the right direction. Thus, this Article proposes three changes for the reexamination process. One is to broaden the scope of reexamination to include technical issues which the PTO was specifically created to handle. The second is to require the filing of a reexamination request before pleading patent invalidity as an affirmative defense in a lawsuit and to expedite the appeal process. The third is to give the non-patentee an opportunity to be heard during reexamination by the PTO board and to appeal reexamination findings directly to the CAFC. These proposed changes do not conflict with the Seventh Amendment right to a jury trial and would allow courts to rely more on the PTO's expertise to rapidly and more inexpensively settle patent infringement disputes in America.

