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Gregory Dolin M.D.
gdolin@ubalt.edu

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DUBIOUS PATENT REFORM

GREGORY DOLIN, M.D.*

Abstract: The 2011 America Invents Act sought to drastically improve the American patent system by creating new review processes for already issued patents. These processes were meant to reduce patent litigation costs and clear the field of “dubious patents,” all the while increasing certainty in the existence and scope of patent rights. Though this was not the first attempt to achieve these goals, Congress failed to heed the lessons of past reforms or fully take into account the costs associated with these new post-issuance review mechanisms. The result was a set of dubious reforms. This Article marshals empirical data and case-study based evidence to show that the newly created system is open to abuse, that such abuse occurs, and that the costs that Congress ignored are substantial.

INTRODUCTION

For nearly 200 years, almost from the day it passed the very first Patent Act, Congress attempted to “reform” the patent system in the name of reducing the prevalence of dubious patents.¹ The latest round of such reforms, enacted in 2011 and known as the Leahy-Smith America Invents Act (“America Invents Act” or “AIA”),² sought to address the problem of dubious patents. One of the bill’s authors stated that the provisions of the AIA will help get rid of “the worst patents, which probably never should have been issued.”³ The AIA was supposed to provide the Patent & Trademark Office (“Patent Office”

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¹ See infra notes 29–119 and accompanying text (exploring complaints of the patent system and subsequent reform efforts).
or “PTO”) with mechanisms for identifying low quality patents. These mechanisms include “post-grant review, inter partes review, supplemental examination, and derivation proceedings, as well as a transitional post-grant review program for certain business methods patents.” Unfortunately, the framers of the AIA fail to marshal solid empirical evidence in support of the claim that the system is overrun by dubious patents. In addition, they also failed to fully take into account all of the costs of “weeding out” the improperly granted patents and the fact that such costs fall disproportionally on the legitimate patentees. This Article will be the first to show that the costs imposed on legitimate patentees by post-issuance review mechanisms may in fact be significant. To achieve this goal, this Article collects and analyzes data on the post-issuance review processes for the first twenty-eight months of the AIA’s operation. This Article also presents several case studies that are illustrative of the problems and abuses that arise under the current regime.

Through the years, many patent reforms were based on the notion that additional and more rigorous procedures in the Patent Office will improve the quality of the issued patents and thus promote the public’s confidence in issued patents and patentees’ confidence in their property rights. On the surface, the proposition seemed sound: a more detailed look on any legal claim makes it less likely to be incorrectly decided as a result of some question of fact or law being overlooked. As in any other legal setting, however, additional procedures generally involve an increase in costs. The question therefore is always whether the marginal increase in the benefit stemming from the new procedure exceeds the marginal increase in the costs associated with that procedure. Regrettably, Congress has failed to fully consider this issue when considering various patent reform proposals. Instead, Congress has focused predominantly on the benefits of the reform and either overlooked or significantly underestimated the costs.

6 See Giles S. Rich, Foreward—and Comments on Post Issuance Reexamination, 4 APLA Q.J. 86, 88 (1976) (“[A patent] opposition [procedure] enables one to take advantage of the principle that almost anything done over again a second time can be done better than it was the first time.”).
This unbalanced approach is particularly evident in Congress’ attempts to craft post-issuance review proceedings that would allow patent challengers additional and easier opportunities to invalidate an issued patent. Ever since the first post-issuance review proposal was made in the early twentieth century, Congress and commentators extolled the virtues of additional review, for both the patentees and the public, without seriously questioning whether the proposed systems would not only provide greater confidence in some patents, but whether they will also cast greater (and never resolved) doubts on other patents. As a result, Congress has adopted an overly simplistic approach that can be described as “one set of eyes is good, two is better, three is better still, etc.” But as it turns out, the relationship between patent quality (however defined), certainty of patent rights, and the number of levels of review is not linear. Importantly, more opportunities to challenge issued patents also means more opportunities to engage in abusive practices to undermine legitimate patent rights.

A particular problem for the stability of patent rights is the presence of post-issuance procedures that can be used to invalidate already issued patents. The timing and scope of such procedures, which have been around for quite a long time in both the United States and around the world, matters a great deal. The easier it is to invoke such procedures, the higher the chance that they will be invoked abusively. It is one thing to allow a limited post-issuance time period where members of the public are allowed to attempt to convince the Patent Office that the patent was issued in error. It is quite another to have the Damocles sword of post-issuance review perpetually hang over the patentee’s head. It is a lesson that Congress should have learned, but failed to do so, from its first attempt to experiment with post-issuance review.

The first non-judicial opportunity for post-issuance review of U.S. patents came in 1981 when Congress created the process of ex parte reexaminations.
That procedure allowed any member of the public, at any time during the life of the patent, to request that the Patent Office take a “second look” at an issued patent. A “second look” involved reconsidering whether the patent does in fact satisfy the conditions of novelty and non-obviousness. The result of this experiment was that the procedure was often employed multiple times against the same patent, leaving the patentees (and the public) perpetually uncertain of the scope and even the very existence of the patent rights. Nor did the ex parte reexamination succeed in “weeding out” many patents. In fact, the vast majority of patents emerged from the process with their claims either fully confirmed or just moderately amended.

The Congress enacted the America Invents Act against this backdrop. Yet, instead of taking into account all of the drawbacks of the ex parte reexamination process and the reasons for the existence of such drawbacks, Congress doubled down. Instead of reforming the old process, Congress created three additional mechanisms for post-issuance review while keeping the ex parte reexamination process intact. As before, these new procedures were advocated as significant improvements over the then-existing system. They were intended to reduce litigation costs, increase certainty in patent rights, and “weed out” “low quality” patents. The discussion of the potential opportunities to abuse these new procedures (especially in conjunction with the retained ex parte reexamination), however, got short shrift. As a result, whereas prior to 2012 patent challengers had just one, however powerful, tool to harass patentees, now they have four. And each of these tools has been consistently used for that exact purpose.

None of this means that there is no value in post-issuance review procedures or that they have been used only, or even primarily, for nefarious ends. Nor will this Article contest that there are improperly issued patents or that the public would not benefit from invalidating such patents. Rather, this Arti-

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cle’s claim is much narrower. The claim here is that by focusing dispropor-
tionately on the costs imposed on the public by the owners of dubious patents
and by seeking to alleviate that problem, Congress failed to fully appreciate
the costs of its cure.22 This Article will show that these costs are indeed sig-
nificant and that oftentimes the effect of the AIA is diametrically contrary to
what was promised and intended by its drafters. With this information availa-
ble, hopefully Congress and commentators will consider these issues when
drafting any additional patent reform measures.

The Article proceeds in several parts. Part I discusses the history and the
arguments that led to the creation of post-issuance review proceedings in the
United States.23 Part II focuses on the operations of the first post-issuance
review process created—the ex parte reexamination—and the problems asso-
ciated with that process.24 Part III then mirrors the preceding part in its struc-
ture, but instead focuses on the AIA-created post-issuance procedures.25 Part
IV presents data from the first twenty-eight months of the AIA’s operations.26
Relying on these data, this Part will show that the problems endemic to the ex
parte reexamination persist under the new regime.27 Finally, Part V presents
several case studies and provides specific examples of abuses that the current
post-issuance review system tolerates, if not welcomes.28

22 For another example of a similar error, see Adam Mossoff, The Trespass Fallacy in Patent
Law, 65 FLA. L. REV. 1687, 1709 (2013) (discussing the failure to measure idealized theory
against the empirical reality that pervades much of patent law scholarship).
23 See infra notes 29–119 and accompanying text.
24 See infra notes 120–186 and accompanying text.
25 See infra notes 187–292 and accompanying text.
26 See infra notes 293–357 and accompanying text.
27 See infra notes 293–357 and accompanying text.
28 See infra notes 358–449 and accompanying text.
I. THE ROAD TO POST GRANT REVIEW PROCEDURES

Post-grant review procedures were not created in a vacuum. Instead, they were the product of years of incremental patent reform and extensive political debate. Section A discusses the recurrent complaint of “low quality” patents. Section B explains the arguments for patent reexamination procedures. Finally, Section C examines the criticism that ex parte reexaminations favor patentees.

A. The Recurrent Complaint of “Low Quality” Patents

Reviewing the current criticism of the patent system and the Patent Office, one could easily conclude that the system has deviated from the righteous path. The culprits of such deviation appear to be the overly patentee-friendly Patent Office, the Federal Circuit, and the ability to patent things that previously were thought to be unpatentable (e.g., business methods). The picture that emerges then is a corrupted system that is prone to “low quality” patents, which are a burden on innovation and the economy. Therefore, the

29 See infra notes 32–56 and accompanying text.
30 See infra notes 57–93 and accompanying text.
31 See infra notes 94–119 and accompanying text.
argument goes, the system is in dire need of reform to restore the previously existing balance.34

In reality, however, the criticism of the Patent Office and the concern about “low quality” patents is as old as the Patent Office itself. Complaints that improperly issued patents (those of dubious quality and validity) retard growth and innovation and concomitant calls for reform of the system have been the mainstay of patent law debate for two centuries. For example, in 1809, the Superintendent of Patents wrote that “many of the patents are useless, except to give work to the lawyers, & others so useless in construction as to be . . . merely intended for sale.”35 A few years later, he went so far as to declare that a patent issued under his own authority was a fraud on the public.36

At about the same time, a federal judge, in a reported case, opined that:

The very great and very alarming facility with which patents are procured is producing evils of great magnitude. It encourages the flagitious peculations of imposters, and the arrogant pretensions of vain and fraudulent projectors. . . . Amidst this strife and collision, the community suffers under the most diversified extortions. Exactions and frauds, in all the forms which rapacity can suggest, are daily imposed and practiced under the pretense of some legal sanction. The most frivolous and useless alterations in articles in common use are denominated improvements, and made pretexts for increasing their prices, while all complaint and remonstrance are effectually resisted by the exhibition of the great seal.37


The Senate Report that accompanied the 1836 Act concluded that “[a] considerable portion of all the patents granted are worthless and void,” and that patent litigation was “daily increasing in an alarming degree, [and is] onerous to the courts, ruinous to the parties, and injurious to society.”

Predictably, these complaints of “useless” patents and “onerous” litigation were accompanied by calls for reform. Eventually, Congress heeded the reformers’ calls and passed the Patent Act of 1836, which moved the United States from a patent registration to a patent examination system.

The change in the patent granting system, however, did not eliminate the prevailing complaints about the abundance of “useless [patents].” This is not surprising, given that the number of patent applications and issued patents dramatically increased following passage of the Patent Act of 1836. In fact, “[t]he number of patents issued per year grew at unprecedented—and, to this day, unmatched—rates in the mid-nineteenth century.” This rise in number of granted patents brought with it the rise of outrage at the number of granted patents. The complaints of the 1870s were almost identical to those of the 1820s. Testifying before a special joint House and Senate Committee on Patents, one commentator opined:

[T]hat there is a large class of patents extant that do not cover practical machines, but contain principles upon which other more practical inventors have builded, [sic] and which are infringed by the other patented devices, and are good for nothing except to be bought and speculated upon by those who are justly called patent sharks—those practically useless patents come into value only at a very late stage in their history, after the line of inventions has proceeded to a practical result.

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41 See Thompson, 23 F. Cas., at 1041; Walterscheid, supra note 35, at 888.
43 Id.
44 Gerard N. Magliocca, Blackberries and Barnyards: Patent Trolls and the Perils of Innovation, 82 NOTRE DAME L. REV. 1809, 1811 (2007) (discussing how a patent litigation “tactic outraged rural activists and led to the same calls for sweeping patent reform that we hear now”).
45 ARGUMENTS BEFORE THE COMM. ON PATENTS, H.R. MIS. DOC. 50, at 123 (2d Sess. 1878) (additional argument of J.H. Raymond).
Patents were often attacked for being nothing more than tools to extract rents from unsuspecting farmers, and patentees were often referred to as “patent sharks” rather than inventors of useful technological improvements. Prominent newspapers referred to the Patent Office as a “shaving shop, a flunky’s office, where evidence is prepared and manufactured regardless of truth, for the benefit of a few monopolists who want their patents extended from time to time.”

In 1870, Congress again significantly reformed the patent laws by requiring the patent applicant to “particularly point out and distinctly claim the part, improvement, or combination which he claims as his invention or discovery.” Changes to the laws also limited the practice of applying for reissue patents that were broader than the original grant. Again, this reform was meant to improve the quality of the patents by circumscribing the patentee’s ability to enforce overly vague patents against the unsuspecting public. Congress continued to periodically tinker with the Patent Office procedures, but did not undertake another major revision of the patent laws until 1952.

The 1952 Patent Act was also preceded by much debate about the failures in the patent system, and was enacted in part to “improve patent quality” and curb excessive litigation. Yet, even this drastic overhaul of the patent laws met only grudging acceptance in the judiciary. Judges continued to have “a fundamental lack of trust in the competency of the PTO to discover sources of relevant prior art and apply them properly under the statutory standards,” and the courts continued to invalidate patents at a fairly high

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50 Gen. Elec. Co. v. Wabash Appliance Corp., 304 U.S. 364, 369 (1938) (“The [1870 Act] seeks to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertainty as to their rights.”); Craig Allen Nard, Legal Forms and the Common Law of Patents, 90 B.U. L. REV. 51, 67 n.67 (2010) (“The public, it was thought, could now have more confidence on where the patentee’s proprietary boundaries resided . . . .”); Joseph S. Cianfrani, Note, An Economic Analysis of the Doctrine of Equivalents, 1 VA. J. L. & TECH. 1, 14 (1997) (“The peripheral system of patents seeks to increase the reliability on the claims by the public by limiting the bounds of the patent to that covered by the claims and a narrow range of equivalents.”).
52 Id. at 272.
rate.\textsuperscript{55} This, in turn, led to further attempts to strengthen and improve the patent system, and these attempts are continuing to this day.\textsuperscript{56}

\textbf{B. The Arguments for Patent Reexamination Procedures}

In 1981, after again voicing concern for the proliferation of “doubtful patents” and costly litigation, both of which supposedly resulted in a drag on innovation and economic development, Congress set out to create an administrative process that would address these problems.\textsuperscript{57} This new administrative process was supposed to allow the PTO to correct its errors by withdrawing the improperly issued patents while greatly reducing the cost of litigation.\textsuperscript{58} The proceedings would eventually take the form of a second (albeit somewhat more limited) round of patent examination.\textsuperscript{59}

This idea was by no means new. The idea of reexamination was proposed more than sixty years prior to its enactment.\textsuperscript{60} What is striking though is that the arguments for reexamination proceedings in 1918 were almost identical to the arguments used for the next sixty years and eventually in the 1980s. The author of the 1918 proposal argued that the then-existing patent system resulted in patents being granted for things “not invented,” “not new,” and “not useful,” all causing “unsettled, unsafe and unsound business conditions.”\textsuperscript{61} Similarly, a 1936 Science Advisory Board concluded that the patent system was suffering from significant defects such as “issuance by the Patent Office of an enormous number of patents, many of which should never be


\textsuperscript{56} See Janis, \textit{supra} note 54, at 8–15 (discussing policymakers’ reform proposals from the beginning of the twentieth century on); see also infra note 193 and accompanying text.

\textsuperscript{57} See Patlex Corp. v. Mossinghoff, 758 F.2d 594, 602, \textit{aff’d in part and rev’d in part}, 771 F.2d 480 (Fed. Cir. 1985); H.R. REP. NO. 107-120, at 3 (2001) (“The 1980 reexamination statute was enacted with the intent of achieving three principal benefits. It is noted that the reexamination of patents by the PTO would: (i) settle validity disputes more quickly and less expensively than litigation; (ii) allow courts to refer patent validity questions to an agency with expertise in both the patent law and technology; and (iii) reinforce investor confidence in the certainty of patent rights by affording an opportunity to review patents of doubtful validity.”); H.R. REP. NO. 96-1307, pt. 1, at 3 (1980), \textit{reprinted in} 1980 U.S.C.C.A.N. 6460, 6463 (noting the bill “strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents”); 126 CONG. REC. 29,895 (1980) (statement of Rep. Kastenmeier).

\textsuperscript{58} Patlex, 758 F.2d at 604; H.R. REP. NO. 107-120, at 3.


\textsuperscript{60} See Lightfoot, \textit{supra} note 10, at 127.

\textsuperscript{61} Id. at 118–19.
issued” and “excessive cost and delay in the litigation of patents.”⁶² A 1943 Report of the National Patent Planning Commission also argued “that a patent may be and frequently is granted which would have been refused if the Patent Office had been in possession of additional facts,” and that such invalid patents are “used by the owner as an instrument in restraint of trade or to force tribute from unwilling licensees.”⁶³

The 1952 Patent Act reform did nothing to abate the calls for new administrative proceedings that would withdraw improperly issued patents and reduce the high cost of litigation.⁶⁴ In 1965, President Lyndon Johnson appointed a special Presidential Commission on the Patent System.⁶⁵ The next year, the Presidential Commission issued a report titled “To Promote the Progress of Useful Arts.”⁶⁶ In its report, the Presidential Commission raised the same concern highlighted by the 1943 National Patent Planning Commission—that “patent owner[s] can continue to assert [clearly invalid] claim[s] because no one is willing or able to expend the resources necessary to obtain a court decision” invalidating the claims.⁶⁷ To remedy the situation, the Presidential Commission proposed administrative reexamination proceedings upon the payment of a “relatively high fee.”⁶⁸ The Presidential Commission concluded that such a system would result in greater confidence in patents and reduce costs of litigation.⁶⁹

The Presidential Commission’s report resulted in renewed Congressional attempts to administratively fix the problem of “low quality” patents. The first round of reform legislation was introduced in 1967, with several competing bills being advanced in the House and Senate.⁷⁰ These bills justified similar proposals along the same lines.⁷¹ Although none of the proposals became law, similar bills with similar justifications, were introduced in almost every subsequent Congress.⁷² Judges and academics also protested that there was a

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⁶⁴ REP. OF THE PRESIDENT’S COMM’N ON THE PATENT SYS., supra note 9, at iii (concluding that there, “has not been an adequate adjustment of our patent laws and procedures . . . to respond to the critical problems confronting the Patent Office”).
⁶⁶ See generally REP. OF THE PRESIDENT’S COMM’N ON THE PATENT SYS., supra note 9.
⁶⁷ Id. at 37.
⁶⁸ Id. at 30.
⁶⁹ Id. at 24.
⁷⁰ H.R. 5924, 90th Cong. (1967); S. 2597, 90th Cong. (1967); S. 1691, 90th Cong. (1967); S. 1042, 90th Cong. (1967). S. 1042 was the primary bill and as a result was reprinted in full in 49 J. PAT. OFF. SOC’Y 152 (1967).
broken patent system. For example, former Supreme Court Justice Abe Fortas wrote that “[m]ost judges, rightly or wrongly, are inclined to think that a strong, well-financed applicant has a pretty good chance of getting at least some patent claims allowed somewhere along the line, and they don’t have much confidence in the process or respect for the result.” 73 One academic commentator wrote that one can get “a patent on almost anything” if you “sit around the Patent Office long enough.” 74

In light of such criticism, Congress continued to attempt to reform the patent laws. The 93rd Congress was especially noteworthy for its flurry of activity in this area. 75 At least four separate bills were introduced in Congress, each of which contained some sort of reexamination proposal. 76 As in all previous iterations of the debate, the sponsors of the proposals argued that the changes would lead to the “improvement of the quality and reliability of United States patents.” 77 For the first time, a bill to add reexamination proceedings to the PTO practice passed the Senate, though it eventually died in the House, in part because of objections to other reform proposals embedded in the bill. 78 These repeated Congressional failures only intensified the scorn heaped upon the Patent Office and the patent system as a whole. Michigan Senator Philip A. Hart condemned the existing patent system in the harshest terms, writing:

[T]he present patent system in the United States cannot be described as a success, for the evidence is strong that our system tends to frustrate invention, raise costs to consumers, and tie up technology so the public cannot benefit from it. Undoubtedly, it also has contributed in recent years to the lessening of our traditional international technological leadership. . . . The Office stresses quantity—rather than quality—of issued patents. . . . “[I]t is often obliged to reach its decision in an ex parte proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.” 79

75 See S. 4259; S. 2930; S. 2504; S. 1321; S. 643; S. 12880; S. 1569, 91st Cong. (1969); S. 1246, 91st Cong. (1969).
76 See S. 4259; S. 2930; S. 2504; S. 1321.
78 See S. 2255, 94th Cong. (1976); see also 122 CONG. REC. 4530 (1976) (reporting passage of S. 2255).
The Senator also lambasted his colleagues for failing to do something about what he perceived to be a sorry state of affairs at the PTO, noting that despite the “[m]any hours of testimony and scores of filed statements . . . [t]he reasonably strong and innovative bills of 1967, which implemented the 1966 recommendations, were systematically watered down until, as finally reintroduced in 1971, the legislation was devoid of meaningful reform and contained substantially lower standards of invention.”

Despite this volley of criticism, it would take another four years and two Congresses for the reexamination proposal to become law. That finally happened in 1980 as part of the Bayh-Dole Act. The justifications advanced by the sponsors of the Bayh-Dole Act were the same as before. Thus, the Committee Report accompanying the bill confidently stated that it “strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents.” The Report predicted that:

Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. This, in turn, will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions. . . . A new patent reexamination procedure is needed to permit the owner of a patent to have the validity of his patent tested in the Patent Office where the most expert opinions exist and at a much reduced cost. Patent office reexamination will greatly reduce, if not end, the threat of legal costs being used to ‘blackmail’ such holders into allowing patent infringements or being forced to license their patents for nominal fees.

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80 Id. at 581–82.
81 In the meantime, the Commissioner of the PTO created a quasi-reexamination proceeding which allowed a patentee to request a reissue application “during which issues of patentability over previously uncited prior art, as well as over public use or on-sale allegations and issues of fraud, could be raised and resolved before the Office.” Kenneth R. Adamo, *Reexamination—to What Avail? An Overview*, 63 J. PAT. OFF. SOC’Y 616, 625 (1981). This procedure was available only to the patentee himself and could not be utilized by members of the public or potential infringers, and was enacted (unsurprisingly) “to improve the quality and reliability of issued patents.” Patent Examining and Appeal Procedures, 41 Fed. Reg. 43,729 (Oct. 4, 1976).
84 Id. at 3–4, 1980 U.S.C.C.A.N. at 6463.
The architects of the bill, Representative Robert Kastenmeier of Wisconsin and Senator Birch Bayh of Indiana echoed the Committee Report’s conclusions.85

Although this Article will discuss the mechanics of the reexamination process in greater detail in the subsequent Section, at present it is worth pointing out that the reexamination proposal enacted in 1980 significantly differed from the proposals for reexamination that were advanced in previous Congresses and advocated by earlier commentators. The early conceptions of the reexamination process foresaw a procedure that would take place soon after the initial grant of the patent. Thus the initial 1918 proposal for a reexamination process contemplated merely a “second look” before the patent issued.86 The 1943 report of the National Patent Planning Commission went a bit further. Its proposal included public participation (rather than just a pre-issuance “second look”), but limited the period for such contests to six months following the issuance of the patent.87 The 1966 Presidential Commission hewed to the same parameters of a limited oppositional period.88 The initial reformers sought to create a system where the cost to the inventor stemming from the new proceedings would be minimal. The 1966 Presidential Committee’s report assured the readers that:

Little delay in the issuance of patents would result from this procedure. The applicability of the newly cited art would be determined immediately after the expiration of the six month period following the publication which gives notice of allowance or of the filing of an appeal. Moreover, the applicant need not suffer from such delay since, under certain circumstances, damages could be recovered for infringement during the period following publication.89

Similarly, Judge Giles S. Rich, one of the key authors of the Patent Act of 1952 and a preeminent authority on patent law wrote: “Oppositions shortly after patent rights come into being (between five months and one year in the British ‘belated opposition’) are favored.”90 One commentator cautioned against patent reexaminations unrestricted by time, but endorsed a proposal

86 See Lightfoot, supra note 10, at 127.
87 REP. OF THE NAT’L PATENT PLANNING COMM., supra note 63, at 460–61.
88 See REP. OF THE PRESIDENT’S COMM’N ON THE PATENT SYS., supra note 9, at 28–29.
89 Id. at 31–32.
90 See Rich, supra note 6, at 87–88 (emphasis added).
that would have allowed public opposition and reexamination proceedings within a year of a patent’s allowance.\footnote{Edward F. McKie, Jr., \textit{Proposals for an American Patent Opposition System in the Light of the History of Foreign Systems}, 56 J. PAT. OFF. SOC’Y 94, 101 (1974) (arguing that a proper “opposition” system would limit such “oppositions” to “within one year after issuance of the patent”).}

Nonetheless, and despite these concerns, the 1980 Act contained no time limit on challenging issued patents in administrative proceedings.\footnote{See Act of December 12, 1980 (Bayh-Dole Act), Pub. L. No. 96-517, ch. 30, § 302, 94 Stat. 3015, 3015 (1980) (codified at 35 U.S.C. § 302 (2012)) ("Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited . . . .") (emphasis added).} There is not much in the legislative history explaining the evolution from the limited period for reexamination to the period that would last the entire life of the patent beyond the usual recitations that the availability of administrative proceedings will greatly reduce the cost of litigation.\footnote{See supra notes 83–85 and accompanying text.} No particular consideration appears to have been given to the warnings that will become evident in the later Parts of this Article.

\section*{C. The Criticism of Ex Parte Reexamination as Favoring Patentees}

Irrespective of how one counts, it took Congress several decades to create a reexamination process. Yet, almost as soon as it was created, calls for reform began. Just a year after President Carter signed the Bayh-Dole Act into law, critiques of the new practice arose.\footnote{See generally Adamo, supra note 81 (criticizing the reexamination process).} Specifically, it was argued that “reexamination will come up short, and actually fail to perform its intended function of ‘improv[ing] the reliability of reexamined patents.’”\footnote{Id. at 617.} In addition, critics lamented that “[t]he essential nature of the reexamination process being strictly ex parte robs it of any capability of providing binding finality to a judgment of validity, though such finality will attach if the reexamined claims are found to be unpatentable.”\footnote{Id.}

These criticisms proved prophetic in at least one regard—the reexamination process ended up being perceived as underutilized.\footnote{See 145 CONG. REC. 20,727 (1999) ("Congress enacted legislation to authorize ex parte reexamination of patents in the PTO in 1980, but such reexamination has been used infrequently since a third party who requests reexamination cannot participate at all after initiating the proceedings."); Dale L. Carlson & Robert A. Migliorini, \textit{Patent Reform at the Crossroads: Experience in the Far East with Oppositions Suggests an Alternative Approach for the United States}, 7 N.C. J.L. & TECH. 261, 268 (2006) ("[T]he lack of requester involvement and the inability of the requester to appeal either a denial of a reexamination request or an adverse decision if reexamination is granted has resulted in ex parte reexamination being an underutilized method for challenging patent validity."); Allan M. Soobert, \textit{Breaking New Grounds in Administrative Revocation of U.S. Patents: A Proposition for Opposition—and Beyond}, 14 SANTA CLARA COMPUTER & HIGH TECH.}
Dole Act passed, the accompanying House Report estimated that several thousand patents would be reexamined each year. In reality, only a few hundred were. For decades, third-party concerns of the reexamination process persisted.

Congressional review also concluded that the dearth of reexaminations was attributable to the fact that “a third party who requested reexamination was unable to participate in the examination stage of the reexamination after initiating the reexamination proceeding.” In 1990, then-Secretary of Commerce Robert Mosbacher created an Advisory Commission on Patent Reform that produced a comprehensive report recommending a number of changes in the patent system. One recommendation was “providing third parties with more opportunities for substantive participation during the reexamination proceeding.” In the Advisory Commission’s view, such a change would “build confidence in the reexamination process so that third parties will be inclined to raise patent challenges in this forum rather than through litigation.”

Once again arguing that the changes in the reexamination procedures would improve patent quality, Congress enacted an alternative inter partes

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L.J. 63, 66 (1998) (“[T]he reexamination system implemented under this legislation has been underutilized and has not fulfilled its promise. In general, third parties have been unable to mount meaningful validity challenges under the reexamination system.”).


99 See Marvin Motsenbocker, Proposal to Change the Patent Reexamination Statute to Eliminate Unnecessary Litigation, 27 J. MARSHALL L. REV. 887, 887 n.1 (1994) (noting that under 400 reexaminations per year had been ordered in the first decade of the procedure’s availability).


103 Id. at 14; see also id. at 117–23 (discussing the reexamination process and proposing changes to that process).

104 Id. at 14.

reexamination in 1999.106 The two reexamination mechanisms existed side by side.107 This is where things remained until the passage of the Leahy-Smith America Invents Act of 2011, at which point the inter partes reexamination was abolished and replaced with inter partes review.108

This history indicates that for nearly a century the advocates of post-issuance administrative review mechanisms proceeded under the conviction that the Patent Office consistently issues “low quality” patents that impede rather than promote innovation. At no point, however, was any definition of what constitutes a “low quality” versus a “high quality” patent, and how to tell the two apart, offered.109 Instead, the reformers simply cited the high rate of patent invalidation during judicial proceedings.110 Admittedly, the rate of patent invalidation could be an indication of the poor screening mechanism at the PTO and the “low quality” of the patents issued.111 But, it could also be the result of the low quality of judging by those who do not understand the technology or who are generally hostile to exclusive rights secured by the patents.112 There was never solid empirical evidence to support the notion

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107 Shang, supra note 105, at 188 (“Inter partes reexamination is ‘optional’ because a third party can request either ex parte or inter partes reexamination for patents filed on or after November 29, 1999.”).
110 See, e.g., Patent Quality Improvement: Hearing Before the Subcomm. on Courts, the Internet, & Intell. Prop. of the H. Comm. on the Judiciary, 108th Cong. 2 (2003) (statement of Rep. Howard Berman) (“A poor quality patent, on the other hand, is typically invalid and may have far-reaching and negative ramifications for the individuals involved, as well as for the economy at large.”); S. COMM. ON THE JUDICIARY, REVIEW OF THE AMERICAN PATENT SYSTEM, S. REP. NO. 84-2, at 4 (2nd Sess. 1956) (noting that between fifty and sixty percent of litigated patents were invalidated); John R. Allison & Mark A. Lemley, Empirical Evidence on the Validity of Litigated Patents, 26 AIPLA Q.J. 185, 205 (1998) (finding a forty-six percent rate of invalidity for litigated patents); Janis, supra note 54, at 8–15 (arguing that many patent reform efforts were a “Response to Judicial Hostility to the Presumption of Validity”).
111 In other words, if the PTO overlooked some important issue or invalidating prior art, that would make the patent “low quality,” and also would make it vulnerable to invalidation in litigation. But the reverse is not necessarily true, i.e., simply because a patent has been invalidated in litigation does not ipso facto mean that the PTO failed in its quality control.
112 Cf. Kimberly A. Moore, Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?, 79 N.C. L. REV. 889, 919 (2001) (concluding that the identity of a presiding judge has significant effect on the rate of invalidation, which ranged in her study from 14% in the Southern District of Florida to 56% in the District of Massachusetts). I am not suggesting that Massachusetts judges are better or worse at judging patent cases than Florida judges. Instead,
that it is the former rather than the latter problem that is the cause of the high rate of patent invalidation.\footnote{It is true that someone must be the final judge, and of necessity, the legal “correctness” of any decision must be measured against the conclusions of that final judge. Still, the mere fact that a “final judge” concluded that someone else made an error, does not necessarily prove that, as an objective (rather than purely legal) matter, an error was made.}

Even when the rate of patent invalidation dramatically decreased, the complaints of “low quality” patents persisted.\footnote{According to Professor Glynn Lunney, the rate of patent invalidation steadily decreased since 1975. Glynn S. Lunney, Jr., \textit{E-Obviousness}, 7 MICH. TELECOMM. \& TECH. L. REV. 363, 371 (2001). Yet, as discussed in this Part, Congress created ex parte and inter partes reexaminations after 1975, justifying these new procedures on the grounds that the Patent Office is concerned more with quantity rather than with quality of patents. See \textit{Hart}, supra note 79, at 579–60.} In other words, for nearly a century, reformers have been offering a cure for a disease that may or may not exist.\footnote{See \textit{generally} Michael Risch, \textit{Patent Troll Myths}, 42 SETON HALL L. REV. 457 (2012) (marshalling data to show that patents owned by so called “patent trolls,” which are often derided as being “low quality” and supposedly used mostly to extract rents from practicing entities, are in actuality invalidated at no higher rate than any other patents).} To be sure, at all times there have been plenty of anecdotes of the Patent Office issuing frivolous patents. But evidence of the existence of silly patents is not evidence of “low quality” patents constituting a drag on the economy. Although it may be best if patents for a “Method of Swinging on a Swing”\footnote{Method of Swinging on a Swing, U.S. Patent No. 6,368,227 (filed Nov. 17, 2000) (issued Apr. 9, 2002).} not issue in the first place, such a patent, if never litigated, licensed, or otherwise asserted, is simply not an impediment to any economic development.\footnote{See Mark A. Lemley \& Carl Shapiro, \textit{Probabilistic Patents}, 19 J. ECON. PERSP. 75, 79–83 (2005) (indicating that only 1.5\% of patents are ever asserted and arguing that, therefore, improperly granted patents are not a serious problem); Mark A. Lemley, \textit{Rational Ignorance at the Patent Office}, 95 NW. U. L. REV. 1495, 1507 (2001) (estimating that no more than five percent of all patents are either litigated or licensed); Matthew Sag \& Kurt Rohde, \textit{Patent Reform and Differential Impact}, 8 MINN. J.L. SCI. \& TECH. 1, 8 (2007) (noting that “patents such as the Tarzan Swing Method, the Beerbrella, a Method for Exercising Your Cat (with a laser pointer), the Hair Comb-Over Patent, and the Peanut Butter \& Jelly Sandwich . . . are silly, but they are typically of little consequence”); cf. Warren K. Mabey, Jr., \textit{Deconstructing the Patent Application Backlog . . . A Story of Prolonged Pendency, PCT Pandemonium \& Patent Pending Pirates}, 92 J. PAT. \& TRADEMARK OFF. SOC’Y 208, 267 (2010) (arguing that even lowering the quality of PTO issued patents is not likely to have a significant effect on economic development because “[t]he vast majority of patents are never used, never commercialized, never asserted, and never challenged”). \textit{But see generally} Christopher R. Leslie, \textit{The Anticompetitive Effects of Unenforced Invalid Patents}, 91 MINN. L. REV. 101 (2006) (arguing that mere ownership of invalid patents negatively affects competition).} Furthermore, the reformers consistently extolled the benefits of their cures while barely pausing to acknowledge the cost of their proposals. To the

Professor Moore’s study indicates that the rate of patent invalidation may depend as much on the intrinsic quality of a patent as it does on the venue in which it is being litigated. For that reason, equating quality with a rate of invalidation is inappropriate. See id. at 919.

\footnote{See \textit{generally} Michael Risch, \textit{Patent Troll Myths}, 42 SETON HALL L. REV. 457 (2012) (marshalling data to show that patents owned by so called “patent trolls,” which are often derided as being “low quality” and supposedly used mostly to extract rents from practicing entities, are in actuality invalidated at no higher rate than any other patents).}
extent that such costs were even acknowledged, they were regarded as minimal.\textsuperscript{118} As it turned out these costs are not at all insignificant and fall disproportionately on the patentees.\textsuperscript{119} To understand why, one must understand how the post-issuance review mechanisms work and what they do and do not accomplish.

II. THE WORKINGS AND THE PROBLEMS OF THE PRE-AMERICA INVENTS ACT REEXAMINATION PROCESSES

Prior to the passage of the AIA reforms, Congress created the ex parte reexamination process to provide an alternative to patent litigation. Section A addresses the mechanics of this process.\textsuperscript{120} Then, Section B explores the pitfalls and shortcomings of ex parte reexamination.\textsuperscript{121}

A. The Reexamination Process

The reexamination proceedings created in 1981 and 1999 were meant to resolve any new doubts that might have arisen about the patent’s novelty in light of previously unconsidered prior art, while simultaneously strengthening the patent system and the reliability of issued patents.\textsuperscript{122} In other words, the reexamination is limited only to issues covered by sections 102 (novelty) and 103 (obviousness) of the 1952 Patent Act.\textsuperscript{123} Other issues bearing on the patent validity could not be addressed in these proceedings.\textsuperscript{124}

Anyone (including the patentee)\textsuperscript{125} can request reexamination by submitting prior art to the Patent Office and arguing that, in light of the submis-

\textsuperscript{118} See Rep. of the President’s Comm’n on the Patent Sys., supra note 9, at 31–32.
\textsuperscript{119} See infra notes 297–355 and accompanying text.
\textsuperscript{120} See infra notes 122–144 and accompanying text.
\textsuperscript{121} See infra notes 145–186 and accompanying text.
\textsuperscript{122} See Patlex Corp. v. Mossinghoff, 758 F.2d 594, 601–02 (Fed. Cir. 1985), aff’d in part and rev’d in part, 771 F.2d 480 (Fed. Cir. 1985) (discussing the benefits of the reexamination).
\textsuperscript{123} 35 U.S.C. § 301(a) (2012) (“Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent.”); 37 C.F.R. § 1.552 (2014); MPEP § 2258 (9th ed. Mar. 2014); see also Gregory Dolin, Reverse Settlements as Patent Invalidity Signals, 24 Harv. J.L. & Tech. 281, 326–27 (2011) (“Currently, reexaminations may be conducted only when certain prior art can be shown to invalidate the patent. In other words, reexamination covers only § 102 (anticipation) and § 103 (obviousness) rejections.”); Dmitry Karshtetd, Contracting for a Return to the USPTO: Inter Partes Reexaminations as the Exclusive Outlet for Licensee Challenges to Patent Validity, 51 IDEA 309, 326 (2011). The America Invents Act changed the language of the statute somewhat (specifically to allow challengers to request reexaminations on the basis of “statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent,” 35 U.S.C. § 301(a)), but reexamination remains limited to the issues of novelty and obviousness.
\textsuperscript{124} See Dolin, supra note 123, at 326–27; Karshtetd, supra note 123, at 326.
\textsuperscript{125} For obvious reasons patentees cannot request an inter partes reexamination of their patents as there would be no third party to participate. See 35 U.S.C. § 311(a) (“Any third-party requester
sion, the patent fails to clear either the novelty bar of section 102 or the obviousness bar of section 103 (or both).\footnote{126} It is worth noting that the request for reexamination cannot be “precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”\footnote{127} Rather, “the appropriate test to determine whether a [reexamination is warranted] should not merely look at the number of references or whether they were previously considered or cited but their combination in the appropriate context of a new light as it bears on the question of the validity of the patent.”\footnote{128} This means that the PTO can end up considering and ruling on the same prior art several times over.\footnote{129}

Once a request for reexamination with all of the supporting documents is received, the PTO considers the petition and grants it if, and only if, the petition raises a “substantial new question of patentability.”\footnote{130} This preliminary inquiry was meant to “prevent[] potential harassment of patentees by” serving as a significant barrier to non-meritorious requests for reexaminations.\footnote{131} In practice, however, the inquiry proved to be little more than a pro forma re-

\footnote{127} Id. § 303(a).  
\footnote{128} In re Swanson, 540 F.3d 1368, 1376 (Fed. Cir. 2008) (quoting H.R. REP. NO. 107-120, at 3 (2001)).  
\footnote{129} See J. Steven Baughman, Reexamining Reexaminations: A Fresh Look at the Ex Parte and Inter Parties Mechanisms for Reviewing Issued Patents, 89 J. PAT. & TRADEMARK OFF. SOC’Y 349, 350 (2007) (“In 2002, Congress amended the reexamination statute to reverse the prior rule and make clear that even the same art previously cited to and considered by the USPTO can give rise to a substantial new question of patentability.”); Mercado, supra note 17, at 124.  
\footnote{130} 35 U.S.C. § 303(a).  
requirement. In fact, the PTO has granted and continues to grant in excess of ninety percent of all requests for reexamination.

If an ex parte reexamination request is granted, the petitioner is no longer involved in the actual process (unless, of course, the petitioner is also the patentee). In other words, once the petition for reexamination is granted, the process unfolds just like the original examination of a patent application would, with only the applicant and the PTO involved. This means that during the reexamination, the PTO applies the same rules as it does in the initial examination. All claims are given their broadest possible construction (meaning that they are more likely to read on prior art, and therefore are more likely to be held invalid), and no presumption of validity attaches to any

132 Paul R. Michel, Lecture: Innovation, Incentives, Competition, and Patent Law Reform: Should Congress Fix the Patent Office and Leave Litigation Management to the Courts?, 20 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1135, 1143 (2010) (“[T]he current trigger, a substantial new question of patentability, is deemed met by the Patent Office in 95% of the applications. So it’s almost no standard at all. Anybody who wants to get a reexam can get it, except for 5% of the time.”).

133 See EX PARTE REEXAMINATION FILING DATA, supra note 125, at 1 (reporting a 92% grant rate of reexamination requests. Indeed the denial rate for third party requests alone is even lower, clocking in at just over 6%, or 606 out of 8874 petitions); see also Raymond A. Mercado, Ensuring the Integrity of Administrative Challenges to Patents: Lessons from Reexamination, 14 COLUM. SCI. & TECH. L. REV. 558, 574 (2013).

134 37 C.F.R. § 1.550(g) (2014) (“The active participation of the ex parte reexamination requester ends with the [grant of the petition for reexamination], and no further submissions on behalf of the reexamination requester will be acknowledged or considered.”).

135 35 U.S.C. § 305 (2012) (“[R]eexamination will be conducted according to the procedures established for initial examination . . . .”); MPEP § 2254 (9th ed. Mar. 2014) (same). On the other hand, if an inter partes reexamination were requested and granted, the petitioners could continue participating in the reexamination process. 35 U.S.C. §§ 311–318. Interestingly, and contrary to the Congressional, professional, and academic expectations, this alternative did not prove to be particularly popular because of the significantly higher fees for the initiation and the high costs of participation in the proceedings. See Kenneth L. Cage & Lawrence T. Cullen, An Overview of Inter Partes Reexamination Procedures, 85 J. PAT. & TRADEMARK OFF. SOC’Y 931, 939 n.41 (2003) (noting that, in 2001, the fee to request an inter partes proceeding was $8800 and the fee for an ex parte proceeding was $2520) (citing 37 C.F.R. § 1.20(c)(1)–(2) (2003)). Compare U. S. PATENT & TRADEMARK OFF., INTER PARTES REEXAMINATION FILING DATA—JUNE 30, 2012, at 1, available at http://ptolitigationcenter.com/wp-content/uploads/2010/02/IP_quarterly_report_June_30_2012.pdf, archived at http://perma.cc/9VFC-HVVS (last visited Apr. 11, 2015) (reporting only 1695 requests for inter partes reexamination since the program began), with EX PARTE REEXAMINATION FILING DATA, supra note 125, at 1 (reporting 7135 ex parte requests in the same time period, calculated by adding ex parte requests starting in 1999—the year inter partes reexamination became available).

136 35 U.S.C. § 305; MPEP § 2254; see also Dolin, supra note 123, at 319 (“[T]he reexamination departs from the same starting point as the original examination . . . .”).

137 MPEP § 2111 (9th ed. Mar. 2014) (“During patent examination, the pending claims must be ‘given their broadest reasonable interpretation consistent with the specification.’”). Recall that reexamination, once started, proceeds in the same manner as the original examination. 35 U.S.C. § 305.

During the reexamination proceedings, the patentee can amend his claims to narrow (but not broaden) their scope, much like he would be able to do during the initial examination. In essence, it would be fair to say that for the purposes of evaluating the continuing patentability of claims subject to reexamination, the issued patent is treated as a mere patent application. As is the case with the examination of a patent application, the patentee can appeal any adverse decision by the examiner to the Patent Trial and Appeal Board (“PTAB”) (formerly Board of Patent Appeals and Interferences), and then to the federal courts.

B. The Pitfalls and Shortcomings of the Reexamination System

The reexamination process did not live up to its expectations on almost any metric. The question is: why? This Section discusses the failings that are inherent in the statute and the process of reexamination. The focus here will be on the statutory shortcomings, while a subsequent Part will focus on how these shortcomings affect actual inventors and patentees.

In discussing the shortcomings of the reexamination system it is useful to recall the purpose for which it was created—to provide a more affordable, faster, and expert alternative to litigation. After all, one of the major arguments... increases the chance that the claim will be found invalid.”); Bruce M. Wexler, Patent Law: Bridling the Doctrine of Equivalents—Preclusion by Prior Art, 1991 ANN. SURV. AM. L. 571, 604 (1992) (“Too broad a construction could render the claims invalid over prior art.”).

See In re Etter, 756 F.2d 852, 855–56 (Fed. Cir. 1985) (en banc); Dolin, supra note 123, at 319.

Janis, supra note 54, at 67 (“[T]he patentee is allowed to propose narrowing amendments or narrowed new claims . . . .”); Douglas Duff, Comment, The Reexamination Power of Patent Infringers and the Forgotten Inventor, 41 CAP. U. L. REV. 693, 710 (2013) (“[R]eexamination affords the patent owner a chance to narrow the scope of the claims to avoid being invalidated based on subsequently discovered prior art.”).

35 U.S.C. § 305 (“No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter.”); Janis, supra note 54, at 66–67 (“A patentee cannot propose claim- broadening amendments, or broader new claims, in reexamination.”).

See Michael J. Mauriel, Note, Patent Reexamination’s Problem: The Power to Amend, 46 DUKE L.J. 135, 140 (1996) (“The patent applicant often begins with broad claim language, and narrows her claim language in response to the feedback provided by the PTO in its initial rejection of the claim.”).

Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (“In a reexamination proceeding . . . the ‘focus’ of the reexamination ‘returns essentially to that present in an initial examination.’” (quoting In re Etter, 756 F.2d at 857)).


ments in favor of creating the reexamination process was the significant cost of litigation—a cost that would be avoided by resorting to the supposedly more affordable, faster, and more expert administrative proceedings.\textsuperscript{146}

But, the ex parte reexamination proceedings failed to become a substitute for litigation for several reasons. First, in the reexamination proceedings the PTO can focus only on two bases of invalidity—lack of novelty under section 102 and obviousness under section 103.\textsuperscript{147} The PTO is powerless to consider any other potential basis for finding the patent invalid (e.g., failure of enablement or written description under section 112, patent ineligibility under section 101, or inequitable conduct in procuring the patent).\textsuperscript{148} Thus, even if the PTO were to reconfirm the patent in the reexamination proceedings (or if it failed to even initiate such proceedings for lack of a substantial new question of patentability under section 102 or section 103) that does not prevent the putative infringer from re-arguing the issue or arguing any other grounds of invalidity in court.\textsuperscript{149} In other words, instead of becoming an alternative avenue to resolving issues of patent validity, the reexamination process simply bifurcates the dispute for resolution in two different fora.\textsuperscript{150}

The bifurcation, however, is not the only hurdle on the way to substituting reexamination for litigation. Under the statute, the reexamination process has no preclusive effect on litigation,\textsuperscript{151} nor does litigation have any preclu-


\textsuperscript{146} See supra notes 83–85 and accompanying text.

\textsuperscript{147} See supra notes 122–126 and accompanying text.

\textsuperscript{148} Dolin, supra note 123, at 326–27; Karshtedt, supra note 123, at 326 (“[R]eexamination challenges cannot be based on grounds such as incorrect inventorship, inequitable conduct, unpatentable subject matter, or lack of utility—indeed, any ground that does not involve citing ‘patents or printed publications’ against the issued patent.”).

\textsuperscript{149} 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, 954 (1994) (“Unless the patent is invalidated or ‘substantively’ altered, there is absolutely no binding legal effect as a result of the reexamination. Therefore, even though a patent has been reexamined and a certificate of reexamination has issued, the courts are free to subsequently invalidate the patent on the basis of the same prior art that was analyzed during the reexamination.”).

\textsuperscript{150} See Timothy B. Dyk, Does the Supreme Court Still Matter?, 57 AM. U. L. REV. 763, 767 (2008) (“Congress has not so far created a significant role for the PTO in the infringement litigation process, either with respect to issues of claim construction, validity, or enforceability, though the reexamination process is perhaps becoming increasingly significant as an adjunct to litigation.”); Mauriel, supra note 142, at 136 (“In practice, however, parties are requesting reexamination in addition to—not instead of—bringing patent validity issues to district courts.”); Charles E. Miller & Daniel P. Archibald, How the Senate Patent Reform Bill Would Abridge the Right of Judicial Review in Patent Reexaminations—And Why It Matters, 3 LANDSLIDE 21, 23 (2010) (“[T]he use of reexamination has become a recognized administrative adjunct to patent litigation . . . .”);

\textsuperscript{151} Bauz, supra note 149, at 954; Steven M. Auvil, Note, Staying Patent Validity Litigation Pending Reexamination: When Should Courts Endeavor to Do So?, 41 CLEV. ST. L. REV. 315,
sive effect on reexamination, or rather, neither procedure has a preclusive effect on the patent challenger. The patentee, on the other hand gets to lose only once, for once a patent claim is invalidated, that claim is invalid forever. In other words, a patent that has emerged from reexamination unscathed can still be invalidated in litigation. The reverse is equally true.

Because the courts and the PTO must operate under different standards in evaluating the claims’ compliance with the requirements of sections 102 and 103, the courts in litigation cannot be guided by the PTO determinations in reexamination even on matters of novelty and obviousness. To make matters more problematic, the PTO itself is not constrained by its own prior determinations of validity. Of course, the very nature of reexamination process is meant to allow the PTO the opportunity to have another “bite at the apple,” and correct any mistakes that may have crept into the original patent examination. But that is not the only thing the statute allows. Rather,
the statute allows *unlimited* bites at the apple, with the PTO empowered to reexamine the patent multiple times with each subsequent decision to proceed to reexamination and the conduct of reexamination itself not bound by the result of previous reexamination processes.\(^{160}\) As already mentioned, even the fact that the cited prior art has already been considered by the PTO and found to be not invalidating is not a bar to either ordering reexamination or canceling the claims at issue.\(^{161}\) The limited nature of the reexamination process, together with any lack of preclusive effect of the examination necessarily prevents the reexamination process from being an alternative to litigation.\(^{162}\)

Nor is the structure of the proceedings conducive to accomplishing Congress’ other goal—reducing costs. To the contrary, the system *increases* costs to all the participants, but especially to the patentees.\(^{163}\) How did the solution, decades in the making, end up having the exact opposite effect of what was promised? The answer follows almost directly from the preceding discussion. Because reexamination, even when used, cannot and does not substitute for litigation, it means that both reexamination costs and litigation costs are incurred.\(^{164}\) Instead of paying for a single process (either litigation or reexamination), the litigants end up paying for both of them.\(^{165}\) Unlike lit-
gation, however, the distribution of costs is entirely unequal.\footnote{166} Whereas in litigation both parties bear roughly the same costs for attorney’s fees, expert reports, depositions, and the like,\footnote{167} reexamination costs are much more one-sided. Recall that ex parte reexaminations are conducted without participation by the third party requester.\footnote{168} That means that the cost to the requester of the examination is the fee for the request plus the cost of a prior art search and an opinion letter stating why the claims are invalid in view of the discovered prior art.\footnote{169} The cost to the patentee on the other hand is much more significant.\footnote{170} Not only must the patentee respond to the initial filing, he must spend resources to essentially re-prosecute the claims in the Patent Office.\footnote{171} Furthermore, because successfully defending the patent in reexamination is not a bar for another reexamination request by the same or a different requester, the costs to the patentee can rapidly snowball.

\footnote{166}{Bauz, supra note 149, at 955–56 (noting that in ex parte reexamination “typical monetary cost to a third party will be much lower than that to the patent owner”).} \footnote{167}{See R. Allison et al., Valuable Patents, 92 GEO. L.J. 435, 441 (2004) (reporting litigation cost data on a “per side” basis); Christopher A. Cotropia, Modernizing Patent Law’s Inequitable Conduct Doctrine, 24 BERKELEY TECH. L.J. 723, 764 (2009) (“A patentee may pay for high cost litigation with nothing to show for it—no finding of infringement or remedies because the patent is adjudged unenforceable.”); Christopher R. Leslie, The Anticompetitive Effects of Unenforced Invalid Patents, 91 MINN. L. REV. 101, 117 (2006) (noting that “win or lose, the alleged infringer may end up paying millions in litigation costs”). The indirect costs (opportunity loss, “making marketing, research and development, and other business planning difficult while the outcome of the case remains uncertain.”)} Daniel A. Crane, Ease Over Accuracy in Assessing Patent Settlements, 88 MINN. L. REV. 698, 703, 704 (2004)). As a result, they may be weighed against the patentee, but at least direct costs are roughly equal in litigation.\footnote{168}{See supra note 134 and accompanying text.} \footnote{169}{See Nellie A. Fisher, The Licensee’s Choice: Mechanics of Successfully Challenging a Patent under License, 6 TEX. INTELL. PROP. L.J. 1, 46 (1997) (observing that reexamination “[c]osts typically include attorney fees for preparation of the reexamination request and possibly a reply, and government fees for the reexamination itself”); Alan W. Kowalchyk & Joshua P. Graham, Patent Reexamination: An Effective Litigation Alternative?, 3 LANDSLIDE 47, 49 (2010) (“Ex parte reexamination is comparatively inexpensive compared to litigation. This is due largely to the limited role of a third-party requester after the reexamination is granted.”); Gino Cheng, Comment, Doubling Up the Horses in Midstream: Enhancing U.S. Patent Dispute Resolution by the PTO’s Adoption of the JPO’s Hantei Request System, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 375, 382 n.29 (2008) (noting that only inter partes reexamination, but not ex parte reexamination comes with “hefty attorney fees”).} \footnote{170}{Bauz, supra note 149, at 955–56; Mercado, supra note 17, at 133–34.} \footnote{171}{See 35 U.S.C. § 305 (2012). Additionally, the appeals process in patent reexamination is designed in a way that imposes additional costs on the patentees. See Robert Greene Sterne et al., Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations, 11 SEDONA CONF. J. 1, 8 (2010) (“[T]he patent owner is forced to appeal the rejection of a single claim even though all of the other claims in reexamination are confirmed or allowed. This all or nothing aspect of the reexamination process can force appeals and is unlike original prosecution where allowed claims can be issued in a patent and rejected claims can continue to be prosecuted in a pending application.”).}
Some attorneys have advised their clients to withhold some prior art references during the initial reexamination request so as to enable a subsequent request should the first proceeding be resolved in the favor of the patentee.\footnote{Sterne et al., supra note 171, at 45 (“If the reexamination request was an ex parte request, such [withheld] art could become the basis for subsequent reexamination requests, if necessary and non-cumulative.”); S. REP. 111-18, at 56 (2009) (quoting the strategy to litigating patent validity of a San Fernando-based law firm known as the “Patent Assassins” as “using one set of prior art in the reexam, and saving a second set of prior art for use in litigation”).} The marginal cost to the challenger for such piecemeal submissions is fairly minimal (beyond another reexamination request fee), but the cost to the patentee is roughly the same for each individual reexamination proceeding.\footnote{In other words, the challenger would pay for a single search, and then decide which art to present to the PTO while holding other art in reserve. Should the challenger choose to file a subsequent reexamination request, the cost for the search and expert declarations would have already been incurred, and the only additional cost that the challenger would have to bear would be the fee for requesting a new reexamination. On the other hand, should the reexamination be granted, the patentee would essentially be returned to square one, having to re-prosecute his claims all over again. See 35 U.S.C. § 305. This process can play out multiple times. See Sterne et al., supra note 171, at 14–15 (“[M]ultiple PTO proceedings involving the same patent are not rare. In fact, multiple reexaminations of the same patent or a reexamination with a parallel reissue application are seen frequently, especially if the patent is perceived as being very valuable or is part of a hard fought litigation. Since 2000, only 2,560 unique patents have been involved in 5,680 reexamination proceedings . . . . [P]ractitioners file multiple ex parte reexaminations (alone or in combination with an inter partes reexamination) on the same patent.”); Kevin B. Laurence & Matthew C. Phillips, Multiple Reexamination Requests, INTEL. PROP. TODAY, Aug. 2010, at 8 (“It is not uncommon for the same patent to be the subject of multiple reexaminations, or at least multiple reexamination requests.”), available at http://www.stoel.com/files/IPToday_August2010.pdf, archived at http://perma.cc/L8X9-V8SM.} It is little wonder then that patent challengers use reexamination as an adjunct rather than alternative mechanism to attack patents.\footnote{See Randall R. Rader, Addressing The Elephant: The Potential Effects of the Patent Cases Pilot Program and Leahy-Smith America Invents Act, 62 AM. U. L. REV. 1105, 1109 (2013).} With an opportunity for multiple bites at the apple and the ability to impose a disproportionate cost on the patentee while carrying a fairly light burden themselves, the reexamination process presents a potent weapon for patent challengers.\footnote{See James L. Wamsley, A View of Proposed Amendments to Patent Reexamination Through the Eyes of a Litigator, 36 IDEA 589, 589 (1996) (noting that reexamination “has become a tactical weapon frequently deployed by defendants in patent infringement actions”); Ben M. Davidson, Reexamining Reexaminations: Reexaminations May Become a More Powerful Tool in Patent Litigation in Light of the New Patent Law, L.A. LAWYER, Dec. 2011, at 26 (“Reexamination can be a powerful weapon in the hands of those who seek to invalidate a patent.”).} The reexamination process also failed to achieve Congress’ goal of speedy dispute resolution. The average length of a reexamination proceeding is about twenty-five months,\footnote{See EX PARTE REEXAMINATION FILING DATA, supra note 125, at 1 (reporting average pendency of a reexamination at 27.8 months and median pendency at 20.1 months); U.S. PAT. & TRADEMARK OFF., REEXAMINATIONS FY 2014, at 2, available at http://www.uspto.gov/sites/default/files/patents/stats/Reexamination_operational_statistic_F_14_Q3.pdf, archived at https://perma.cc/SA35-H8LQ?type=pdf (last visited Apr. 11, 2015) [hereinafter REEXAMINATIONS FY 2014].} which is roughly comparable to the pendency
of a case in the trial court. That, however, is only half the story. Because reexamination proceedings are often not a substitute but an adjunct to litigation, the time it takes to resolve the patent dispute is often increased rather than decreased. This is especially likely when judges choose to stay litigation proceedings pending the outcome of the reexamination. As the PTO can neither resolve all of the potential invalidity (much less infringement) issues, nor even bind the courts on the issues that it does resolve, the time spent in reexamination is often in addition to that spent in litigation.

Finally, the reexamination process also failed to achieve the paramount goal of increased certainty in the strength and quality of issued patents (assuming that the “quality” of a patent can be measured and defined). A patentee who prevails in either litigation or reexamination cannot be certain that further reexaminations will not be requested or ordered, possibly by the same third party whose prior submissions failed to invalidate the patents. To be sure, it is possible that juries may be more sympathetic to patents that have been reconfirmed in the reexamination proceedings, and that this solicitude

179 Mercado, supra note 133, at 574 (“It is well known that judges are strongly inclined to stay patent infringement cases when a reexamination proceeding is pending . . . [with] [s]ome district courts . . . granting motions to stay up to 85% and 65% of the time.”).
180 See supra notes 123–124 and accompanying text.
181 See supra notes 158–162 and 172–175 and accompanying text.
may make patentees more certain of their rights. The same, however, cannot be said of the PTO. Once a reexamination is ordered, the claims will undergo examination on the same general basis as a patent application. In that sense, all prior PTO conclusions are not entitled to and do not receive any deference.

In short, the major drawbacks of the ex parte reexamination system are (a) lack of a meaningful threshold to initiate the process; (b) lack of estoppel provisions either in civil suits or in further proceedings before the PTO; (c) lack of certainty; (d) disproportionate costs on the patentees; and (e) an excessively lengthy process. The combination of these factors gives the patent challengers the opportunity to continuously cast doubt on legitimate patent claims and to “blackmail” patent holders into lower royalty rates. It is these problems that the AIA supposedly addressed.

III. THE AMERICA INVENTS ACT REFORMS

The America Invents Act was nearly a decade in the making and was preceded by a constant drumbeat in academic journals, judicial opinions, and congressional speeches decrying the proliferation of “low quality” patents that harm innovation and impose significant costs on consumers. The AIA

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183 See Benjamin J. Bradford & Sandra J. Durkin, A Proposal for Mandatory Patent Reexaminations, 52 IDEA 135, 160 (2012) (“Upon issuance from the reexamination, the patentee would be confident about the validity of the patent and could enforce his or her rights under the patent.”); Justin J. Lesko, A Proposal for Early Interactive Third Party Participation at the USPTO, 21 DEPAUL J. ART, TECH. & INTELL. PROP. L. 257, 266 (2011) (“More rigorous scrutiny at the USPTO through third party submissions and arguments will give patentees better assurance that issued patents will hold up in court, even if examination is initially more difficult.”).

184 See supra note 136 and accompanying text.

185 See supra note 139 and accompanying text.


187 See Jay P. Kesan & Andres A. Gallo, The Political Economy of the Patent System, 87 N.C. L. REV. 1341, 1391 (2009) (“One of the most important proposals of reform of the patent regime in the United States is the creation of a post-grant opposition/reexamination process for patents in the Patent Office. The creation of this new regime has been the subject of intense debate in academia, in law practice, and in the political spheres.”); Tran, supra note 108, at 610.
was the most far-reaching patent reform since the 1952 Patent Act.\textsuperscript{188} A significant portion of the law focused on the post-grant review proceedings.\textsuperscript{189} The reform was again justified as necessary to ride the market of “the worst patents, which probably never should have been issued.”\textsuperscript{190} Indeed, the stated purpose of the AIA was to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs”—an almost \textit{verbatim} repetition of the promises of and justifications for earlier reforms.\textsuperscript{191} To that end, Congress created what was termed a “toolbox of new or fortified proceedings” capable of “weed[ing] out low quality patents,” and which “includes post-grant review, inter partes review, supplemental examination, and derivation proceedings, as well as a transitional post-grant review program for certain business methods patents.”\textsuperscript{192}

Before getting into the details of the AIA-created post-issuance review proceedings, it is worth pausing to highlight that the AIA was just the latest (though apparently not the last)\textsuperscript{193} attempt to counter the increase of “low quality” patents. Yet, it seems that no matter the depth, breadth, or recency of any of the reform, the complaint of “low quality” patents persists.\textsuperscript{194} As discussed in Part II, the complaint is as old as the patent system itself. But what is more problematic is that in nearly 200 years no one has come forth with


\textsuperscript{189} See Kesan & Gallo, supra note 187, at 1391.


\textsuperscript{192} Tran, supra note 4, at 498–99.


any test or definition of what constitutes a “low quality” patent.\textsuperscript{195} Furthermore, there has been no indication of how the Patent Office examiners are supposed to recognize such patents. Again, most everyone will readily concede that the Patent Office is not infallible, the patentees are not all honest in their dealings with the PTO, and that not all prior art in existence is necessarily knowable to either the examiners or the inventors.\textsuperscript{196} Thus, it is unsurprising that some of the issued patents are in fact invalid. Nor is it unexpected that some of the issued patents are outright silly. The issue, however, is not whether invalid or silly patents exist, but whether they actually create problems for other inventors or investors.\textsuperscript{197} And on this point, there is simply no solid evidence that any problems are precipitated or exacerbated by the “low quality” patents.\textsuperscript{198} The AIA offered solutions without solid empirical evidence of a problem in need of solving. Not only is there no definition of what constitutes a “low quality” patent (versus a “medium” or a “high quality” one), there is no data to suggest that these patents (however defined) are actually a source of any major problems. Although stories of patents for methods of swinging on a swing\textsuperscript{199} or exercising a cat\textsuperscript{200} make for great newspaper stories or political soundbites, these anecdotes do not provide sufficient data to conclude that “low quality” patents burden the patent system as a whole or create a drain on the economy.\textsuperscript{201} It is unclear what exactly the PTO is supposed to “weed out” with this AIA-created toolbox.

Furthermore, although the post-issuance review proceedings (whether of pre- or post-AIA variety) have ostensibly been designed to eliminate “the worst patents,”\textsuperscript{202} they are not the ones that end up as the focus of these proceedings.\textsuperscript{203} As studies have consistently shown, most patents never get as-

\textsuperscript{195} See generally Christi J. Guerrini, Defining Patent Quality, 82 FORDHAM L. REV. 3091 (2014) (discussing the definition of “patent quality”).
\textsuperscript{196} See Rich, supra note 6, at 87–88. Of course, it should be noted that courts are also not insured from errors. As Justice Jackson adroitly noted, the Supreme Court is also “not final because [it is] infallible, but [it is] infallible only because [it is] final.” Brown v. Allen, 344 U.S. 443, 540 (1953) (Jackson, J., concurring). The mere fact that a patent has been invalidated in litigation does not necessarily (though it may well) indicate that the patent was inherently weak. Rather, it may simply be an artifact of the hierarchical justice system where a mistake made by a “final” arbiter is “infallible,” but only because of the nature of the arbiter.
\textsuperscript{197} See supra note 117 and accompanying text.
\textsuperscript{198} See supra note 117 and accompanying text.
\textsuperscript{199} Method of Swinging on a Swing, U.S. Patent No. 6,368,227 (filed Nov. 17, 2000) (issued Apr. 9, 2002)
\textsuperscript{201} For example, neither of the above-referenced patents has ever been subject to any litigation.
\textsuperscript{203} See Sherry M. Knowles et al., Inter Parties Patent Reexamination in the United States, 86 J. PAT. & TRADEMARK OFF. SOC’Y 611, 623 (2004) (“Third party competitors will always be
asserted or litigated.  

It is the patents that are economically valuable that get the most attention.  

If a patent never gets asserted or litigated, it makes little sense for anyone to expend any time, money, and effort to invalidate it either through administrative or judicial proceedings.  

The perverse result is that it is the “best” rather than the “worst” patents that are subject to post-issuance review.  

From a rational economic perspective this makes perfect sense. After all, neither litigation nor administrative post-issuance review processes are free for anyone (though the latter is significantly less expensive for the patent challenger). There is little reason for a rational person to expend time and money to neutralize a non-threat. Conversely, when a patent is asserted against an accused infringer, and the patent is sufficiently important to the business of the accused infringer, it makes economic sense to attempt to invalidate that patent by whatever legal means available. This is especially true  

looking to find a way to invalidate a valuable patent, and making the reexamination process more attractive encourages these parties to challenge validity at the USPTO.”); Rader, supra note 174, at 1112 (“Over ten percent of those unique patents were reexamined more than once. Some patents were reexamined two, three, or even more times—one was submitted to six reexaminations—presumably because these patents were perceived as valuable.”); Sterne et al., supra note 171, at 15 (“[M]ultiple reexaminations of the same patent or a reexamination with a parallel reissue application are seen frequently, especially if the patent is perceived as being very valuable or is part of a hard fought litigation.”). In fact, this phenomenon was predicted forty years ago when early mechanisms for post-issuance review were being debated. See McKie, supra note 91, at 100 (“[T]he risk of undue delay and high expense would seem likely to be the highest to an applicant who makes the most valuable invention . . . . An applicant who files on such an invention would have to expect opposition”).

204 See Lemley & Shapiro, supra note 117, at 79–83.

205 See Allison et al., supra note 167, at 437 (“Many patents are not worth enforcing—either because the inventions they cover turn out to be worthless, or because even if the invention has economic value the patent does not.”). That correlation, however, is not always true. A patent may be quite valuable but not litigated or asserted precisely because all rational actors in the relevant market believe it to be invulnerable to an attack. See Malcolm T. “Ty” Meeks & Charles A. Elderling, Patent Valuation: Aren’t We Forgetting Something? Making the Case for Claims Analysis in Patent Valuation by Proposing a Patent Valuation Method and a Patent-Specific Discount Rate Using the CAPM, 9 NW. J. TECH. & INTELL. PROP. 194, 203 (2010) (“Rational licensees would recognize this strength and deem it more cost effective to license than to litigate. Therefore, the strongest patents are less likely to make it into the litigation data pool.”); cf. Einer Elhauge & Alex Krueger, Solving the Patent Settlement Puzzle, 91 TEX. L. REV. 283, 290 (2012) (“A strong patent deters at-risk entry with certainty during litigation, even though there is a probability of patent loss.”).

206 See Allison et al., supra note 167, at 441 & n.28 (citing numerous studies concluding that “patent litigation correlates strongly with value”).

207 Id. at 441 (noting that “[m]ost patents are worth very little to their owners—not even enough to pay maintenance fees,” much less to litigate); cf. William Hubbard, Inventing Norms, 44 CONN. L. REV. 369, 384–85 (2011) (arguing that many inventors obtain patents not because of any economic payoff but because of certain social recognition that comes along with being a “patentee,” i.e., a “recognized inventor”).

208 See supra note 203 and accompanying text.
if one particular avenue of invalidation imposes disproportionate costs on the adversary. In short, the system designed by Congress is working against the very goals announced by Congress.

Despite these inherent problems with the post-issuance review mechanisms, Congress has in fact created a number of new ones. In so doing, it attempted to address some of the shortcomings of the ex parte reexamination process identified in the preceding Part. As will be seen in the subsequent Part, the attempt failed, largely because the new “tool box” was not a replacement, but rather an addition to the existing ex parte reexamination. Additionally, though the new procedures do have preclusive effects (contra the ex parte reexamination process), the preclusion works on a per petitioner rather than per patent basis. To say it another way, a patent that was reconfirmed in an AIA-based post-issuance review proceeding can still be challenged in an identical or related proceeding, as long as the challenge is by someone other than the original challenger. With these caveats in mind, the AIA-created post-issuance review proceedings can be discussed.

The AIA created three distinct post-issuance review proceedings, each with its own unique applicability. Nonetheless, given the right set of circumstances any and all of these mechanisms can be employed against a single patent. The three new mechanisms created by the AIA are (a) post grant re-


211 See 35 U.S.C. § 315(e) (estoppel provisions for inter partes review); id. § 325(e) (estoppel provisions for post-grant review).

212 Id. § 315(e) (stopping “[t]he petitioner in an inter partes review of a claim in a patent” from maintaining any proceedings in the PTO or the courts or the International Trade Commission “with respect to that claim on any ground that the petitioner raised or reasonably could have raised”) (emphasis added); id. § 325(e) (identical language with respect to post grant review). Estoppel does apply to the “real party in interest or privy of the petitioner.” Id. §§ 315(e), 325(e). Furthermore, because estoppel also applies only to the claims that have been subject to one of the post-issuance proceedings, the same party can request that the same patent be reviewed multiple times, provided that each review petition attacks a different claim or claims.
Each of the procedures is discussed in turn.

A. The Post Grant Review

The post grant review ("PGR") process resembles the original, mid-twentieth century proposals for reexamination. It is also similar to the opposition practice in the European Patent Office, and indeed was enacted with an eye towards making the U.S. patent issuance process similar to the European one. Any person (other than a patent owner) can file a PGR request challenging an issued patent on any ground of invalidity. This is unlike the ex parte reexamination, which only considers challenges arguing lack of novelty or obviousness. In a PGR process, in addition to arguing lack of novelty and obviousness, the challenger can argue that the patent is improperly issued by citing any basis which, if they had been previously known, would have caused the Patent Office to reject the application in the first place. The opportunity to file a PGR request exists for patents filed on or after March 16, 2013 and must be exercised within nine months of the patent issue (or reissue) date. Additionally, a PGR cannot be requested if the requester, prior to seeking PGR has previously filed a civil action challenging

214 Id. §§ 311–319.
215 Leahy-Smith America Invents Act § 18, 125 Stat. at 329–31. The AIA also created a fourth procedure called “Supplemental Examination,” but that is only available to the patentee himself for the purposes of allowing the Patent Office to consider, reconsider, or correct information believed to be relevant to the patent. See 35 U.S.C. § 257. No one other than the patentee can request supplemental examination, and therefore the discussion of this particular process is omitted.

216 See infra notes 217–292 and accompanying text.
217 See supra notes 86–91 and accompanying text (discussing early reexamination proposals).
221 Compare id. § 321(b) (“A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).”), with id. § 302 (“Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301.”).
222 Id. § 321(b).
223 Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(f)(2)(A), 125 Stat. 284, 311 (2011). PGR is also available to a small subset of patents that were filed prior to March 16, 2013, specifically patents eligible for “Covered Business Method Review” discussed infra, and patents that are involved in an interference proceeding as of September 16, 2012 (the effective date of the AIA). Id. § 18, 125 Stat. at 329–31.
the validity of the patent. On the other hand, it is permissible to file a PGR request first, and thereafter file a declaratory judgment civil action. While the PGR is pending, however, the civil action is automatically stayed unless the patentee either waives a stay or brings his own infringement counter-claims. Importantly, in a PGR, the challenger must identify the patent claims he believes to be improperly issued. In other words, much like in litigation, the patent is not challenged and evaluated as a whole, but rather each specific claim is challenged and evaluated separately.

Once the PGR is requested and the patentee is notified of the request, the patentee has a right to file, within three months, a preliminary response in an attempt to convince the Patent Office that the PGR petition ought to be rejected. Once the response is filed, the Patent Office has up to three months to decide whether to grant the PGR petition. No appeal (save for a motion for reconsideration) lies from the decision to either grant or deny the petition. If a petition is denied, however, a new one can be filed (provided that less than nine months have elapsed from the patent’s issue). The PTO may only grant the PGR petition if the petition “demonstrate[s] that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” Alternatively, the PGR may be ordered to resolve “a novel or unsettled legal question that is important to other patents or patent applications.”

If the Patent Office grants the petition and institutes the PGR proceedings, the matter goes to trial before the PTAB, which must render its final decision within twelve months of the decision to institute the proceedings.

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225 Id. § 325(a)(1).
226 Id. § 325(a)(2).
227 Id.
228 Id. § 322(a)(3).
229 See Rosco, Inc. v. Mirror Lite Co., 304 F.3d 1373, 1379 (Fed. Cir. 2002) (stating that “each claim must be separately considered” in a patent validity analysis); see also 35 U.S.C. § 282(a) (“Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims . . . .”).
230 35 U.S.C. § 323. Alternatively, the patent owner may disclaim some of the claims at issue, thus obviating the need for a PGR. Id. § 253(a).
231 Id. § 324(c).
232 Id. § 324(e).
233 See 1 ROBERT GREENE STERNE ET AL., PATENT OFFICE LITIGATION 436 (2012 ed.). As discussed in greater detail below, the denial of the PGR petition creates no estoppel for the petitioner, and therefore leaves him the opportunity to avail himself of other post-issuance review mechanisms. Id.
235 Id. § 324(b).
236 The PTAB was previously known as the Board of Appeals and Interferences (BPAI). See supra note 144 and accompanying text. The AIA greatly expanded the Board’s responsibilities necessitating a tremendous increase in the staffing of the Board by newly minted Administrative Patent Judges (“APJs”). See 35 U.S.C. § 6(b)(4) (adding “conduct[ing] inter partes reviews and post-grant reviews” to the duties of PTAB); Michelle K. Lee, Progress Continues with Our Patent
The trial phase of PGR is in some ways similar to a traditional trial, though perhaps a bit more abbreviated and streamlined. For example, discovery in the form of expert reports, cross-examination of expert witnesses, production of documents or things inconsistent with a party’s asserted position, and the like is permitted, though of course it has to be accomplished rather quickly given the deadline for the ultimate resolution of the issues. Motions practice is also permitted, but limited both by the timeframe and by the requirement that the Board’s permission must be obtained before the filing of any motion.

The two key differences, from the petitioner’s perspective, between trials at the PTAB and in the district court are a lower burden of proof and broader claim construction. Whereas in the district courts patents can only be invalidated upon the showing of “clear and convincing evidence,” in the PTAB proceedings the petitioner carries his burden by satisfying the “preponderance of evidence” standard. Not only is the standard lower, but it is easier to meet this standard. Whereas in the district court claims are construed by reference to what a person having ordinary skill in the art would understand, at the PTAB they are given their “broadest reasonable construction.” The broader the claim construction, the more likely it is to sweep prior art within its ambit. These two key differences between PTAB and district court litigation make it much easier for the patent challenger to prevail in the former forum.

On the other hand, from the perspective of the patentee the key difference in the PTAB proceedings from those in the district court is the patentee’s...
ability to amend his claims in the former,245 but not in the latter forum.246 In
traditional litigation, the claims are either valid or invalid,247 but in the PTO, if
the patentee is faced with what he believes is a potentially invalidating argu-
ment or prior art, he can amend his claims to narrow or clarify them, thus
saving them from cancellation.248 To be sure, the challenger can oppose the
claim amendment by arguing that even as amended the claims must fail.249 In
the face of such opposition additional discovery on the amended claims may
be permitted, and the Board will render a decision on the motion to amend the
claims.250

Once all of the submissions are complete, the Board will render a final
judgment on the reviewed claims.251 That judgment will either invalidate or
confirm the claims at issue.252 Any dissatisfied party can then appeal the deci-
sion of the PTAB to the U.S. Court of Appeals for the Federal Circuit.253 But,
unlike the proceedings before the PTAB, the proceedings in the Federal Cir-
circuit are not expedited and are heard on the court’s regular schedule.

Unlike the ex parte reexamination proceedings, the PGR carries with it
estoppel consequences.254 A petitioner who has requested a PGR will be es-
topped from asserting the same claims and theories that were rejected by the
PTAB.255 The estoppel applies both to litigation and administrative proceed-
ings, that is to say that a petitioner cannot request another administrative re-
view (whether a PGR or any other kind) or judicial determination on the same

246 See Process Control Corp. v. HydReclaim Corp., 190 F.3d 1350, 1357 (Fed. Cir. 1999)
(“[W]e do not permit courts to redraft claims.”).
247 Rhine v. Casio, Inc., 183 F.3d 1342, 1345 (Fed. Cir. 1999) (“We have also admonished
against judicial rewriting of claims to preserve validity.”).
248 See 37 C.F.R. § 42.221(a). Although the patent owner has a statutory right to submit a
“reasonable number of substitute claims,” see id.; see also 35 U.S.C. § 326(d)(1)(B), the motion
“will not result automatically in entry of the proposed amendment into the patent.” Changes to
Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional
codified at 37 C.F.R. pt. 42). The patent owner may then reply to the opposition to the motion to
amend. Id.
250 See 1 STERNE ET AL., supra note 233, at 578. See generally 77 Fed. Reg. 48,756 (describ-
ing the sequence of the PGR and IPR proceedings).
252 Id.
253 Id. §§ 141–144.
254 Id. § 325(e).
255 Id. The estoppel rule applies to the patentee as well, as it always has, for the simple reason
that if the claims are held invalid and cancelled by the PTO, the patentee would simply be unable
to assert these now-canceled claims in any other fora. See Blonder-Tongue Labs., Inc. v. Univ. of
issue that has been finally adjudicated by the Board. But the estoppel provisions on their face are broader than that. They apply not only to the actual theories of invalidity that have been raised and adjudicated by the Board, but also to theories that “reasonably could have [been] raised.” The parties covered by the estoppel include not only the petitioner, but also the real party in interest (that must be identified in every petition) and anyone in privity with the petitioner. At the same time, other third parties are not estopped from challenging the same claims on the same theories that have already been addressed by the PTAB either by way of another round of administrative review proceedings or in a litigation forum. Nor is the initial petitioner estopped from seeking another round of administrative or judicial proceedings with respect to different claims in the patent.

It should be recognized that in creating the PGR process Congress did attempt to correct some of the major flaws in the ex parte reexamination process. Specifically, it put a tight limit on the length of the proceedings and the timing during which the PGR could be instituted, it raised (at least nominally) the standard for granting the petition for instituting the PGR review, created estoppel provisions, and made the process an inter partes one to ensure that the legal costs to the challenger are roughly commensurate to the legal costs borne by the patentee.

What Congress gave with one hand, however, it took away with the other. For example, the seemingly quick turnaround time required by statute is actually not that quick. Taking into account the time for filing a PGR request, the time allowed for opposition, and the time the PTO has to decide whether to grant the petition, the total time that a patent can spend waiting for resolution of the process is up to twenty-seven months (or thirty-three months if the deadline for rendering the decision in extended). This timeframe is roughly equivalent to the district court litigation timeframe. Therefore, although

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256 Id. Even though ex parte reexamination can be requested anonymously, 35 U.S.C. § 301(e) (2012), the new rules require the party requesting reexamination to certify that he is not barred from doing so by AIA’s estoppel provisions. 37 C.F.R. § 1.510(b)(6) (2014).
258 Id. § 322(a)(2).
259 Id. § 325(e).
260 Id. § 325(e)(1) (“The petitioner . . . may not request or maintain a proceeding before the Office with respect to [the reviewed] claim . . . .”) (emphasis added).
261 Id. § 326(a)(11).
262 Id. § 321(c).
263 Id. § 324(a).
264 Id. § 325(e).
265 Id. § 326. The patentee, however, may ultimately have higher overall costs as the uncertainty surrounding his patent rights may depress the value of the patent. See infra notes 362–449 and accompanying text.
266 See supra note 177 and accompanying text.
PGR may be less expensive and more streamlined, it is not necessarily faster, especially if one considers the time spent in additional litigation resolving the issue of infringement on the claims that have survived the PGR process.

Similarly, though PGR proceedings carry with them the promise of estoppel, in reality the promise is quite limited. First, the estoppel is only a one-way street. It applies to reexaminations that have been instituted after a decision has been rendered in a PGR, but it does not apply in reverse. A challenger can request a reexamination and then a PGR without a fear of estoppel. Indeed, one can request multiple reexaminations and then follow them up with a PGR. An objection could be had that such a sequence of events is unlikely given that PGR has to be instituted within nine months of the patent’s grant, and it is unlikely that a reexamination would be complete. True enough, but PGR is not the only post-issuance review procedure. The other avenue that the challenger may explore is the new inter partes review process.

B. Inter Partes Review

In addition to the PGR, the AIA created a second mechanism to administratively challenge issued patents—the inter partes review (“IPR”). Though in many ways similar to PGR, this mechanism has some additional limitations. Much like the PGR, the IPR can be filed by any person (other than a patentee) and can be used to challenge any claim of an issued patent. Unlike PGR, however, and similar to ex parte reexamination, the asserted bases for invalidity are limited to lack of novelty under section 102 and obviousness under section 103. Claims cannot be challenged under any other grounds (whereas in a PGR the challenger may argue any grounds for invalidity). The earliest IPR can be requested is at any point during the patent’s lifetime, but no earlier than nine months after the patent’s issue date, i.e., after the time for requesting PGR has expired. An IPR request can be filed against any patent, irrespective of the date of issuance, and it will be granted if there is a “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” The process for filing the initial petition, the ability to respond to it (and the timeframe for doing so), and the discovery process are the same as with the PGR. The same bars

268 Id. § 311(a).
269 Id. § 311(b).
270 Id.; 37 C.F.R. § 42.104(b)(2) (2014).
271 35 U.S.C. § 311(c)(1). If PGR proceedings have been instituted, then an IPR request cannot be filed until the termination of PGR. Id. § 311(c)(2).
272 37 C.F.R. § 42.102(a)(2).
274 Compare id. §§ 311–319 (inter partes review), with id. §§ 321–329 (post-grant review).
also apply, i.e., no IPR application can be filed if the petitioner has previously filed a civil action challenging the validity of the same claim.275 As in PGR, the Patent Office has three months to decide whether to order a full trial before the PTAB.276 If ordered, the trial must be completed within twelve months of the granting of the IPR petition.277

The IPR is governed by the same estoppel provisions as the PGR, limiting the petitioner from filing additional judicial or administrative challenges to the claims which were subject to IPR if the new challenge is based “on any ground that the petitioner raised or reasonably could have raised during” the IPR.278 Though the language of the IPR estoppel provision is identical to the language of the PGR estoppel provision,279 given that only novelty and obviousness challenges can be raised in IPR proceedings, the scope of the estoppel is much narrower in practice.

The similarity between PGR and IPR makes all of the criticisms with respect to the former procedure applicable to the latter, except that due to the more limited nature of IPR and therefore IPR estoppel, these criticism apply with even greater force.

C. Covered Business Method Review

The final post-issuance review procedure grew out of lawmakers’ frustration with business method patents in general and patents that covered the method for electronically processing and clearing personal checks in particular. An amendment proposed by Senator Jeff Sessions that would have essentially allowed financial institutions to infringe patents without fear of liability was the precursor to the covered business method review (“CBMR”).280 Although the Sessions proposal was defeated, the distaste for business method patents among senators prevailed. In commenting on the amendment that created the CBMR review process, Senator Chuck Schumer stated:

Business method patents are anathema to the protection the patent system provides because they apply not to novel products or services but to abstract and common concepts of how to do business. . . . The holders of business method patents then attempt to

275 Id. § 315(a)(1).
276 Id. § 314(b).
277 Id. § 316(a)(11). The deadline can be extended for an additional six months “for good cause shown.” Id.
278 Id. § 315(e).
279 Compare id. (inter partes review), with id. § 325(e) (post-grant review).
extract settlements . . . by suing . . . in plaintiff-friendly courts and tying [the defendants] up in years of extremely costly litigation. This is not a small problem. . . . This is not right, it is not fair, and it is taking desperately needed money and energy out of the economy and putting it into the hands of a few litigants . . . . The [CMBR process] . . . will allow companies that are the target of one of these frivolous business method patent lawsuits to go back to the PTO and demonstrate, with the appropriate prior art, that the patent shouldn’t have been issued in the first place. That way bad patents can be knocked out in an efficient administrative proceeding, avoiding costly litigation.\(^{281}\)

It is noteworthy that despite Senator Schumer’s claim that the business method patents are “anathema to the protection the patent system provides,” and that they only exist to target innocent companies in “frivolous business method patent lawsuits,” the patents that initially gave rise to the CBMR provision have been repeatedly upheld in litigation and reexamination.\(^{282}\) Nonetheless, Congress thought it necessary (again without any significant evidence of a problem) to subject business method patents to a heightened level of scrutiny. Thus CBMR was born.

Given the origin of the CBMR provision it is unsurprising that “covered business method” is defined in a seemingly narrow yet sufficiently amorphous way, leaving its sweep quite undefined. Under the statute, patents are subject to this procedure if they “claim[] a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that


the term does not include patents for technological inventions.” 283 Yet, “financial services” is left undefined. The PTO has stated that it will interpret this section broadly to include “activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” 284 Similarly, the AIA does not define “technological innovations.” The PTO attempted to provide a more concrete definition of this term, but instead concluded that it will proceed on a “case by case basis” and consider “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 285 Unfortunately, the PTO’s attempts to better define the types of patents subject to CBMR resulted in an essentially tautological definition and therefore cast a cloud of uncertainty over a broad range of patents.

The CBMR is a transitional program that is meant to last for only eight years 286 and during its existence will, for the most part, mirror the PGR. 287 Unlike PGR that is available only within the first nine months post-issuance, and only for patents with a filing date after March 16, 2013, CBMR is available at any time for all patents that fit within the “covered business method” definition. 288 Furthermore, unlike PGR where there are no special standing requirements, to invoke a CBMR, the petitioner must have been sued for or charged with the infringement of the patent in question. 289 The PTO views these requirements as mirroring the requirements to bring a declaratory judgment action in the federal district court. 290 At the same time, if the petitioner has filed a declaratory judgment action he is barred from seeking CBMR in the PTO.

Although the grounds for seeking CBMR are essentially coextensive with the grounds for seeking a PGR (i.e., a petitioner can challenge a “covered business method” on any ground of invalidity) the CBMR estoppel provisions are much less far-reaching. Most importantly, estoppel does not attach to arguments that “could have been raised” in CBMR proceedings; 291 rather it only attaches to arguments actually raised. Second, estoppel seemingly does

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285 37 C.F.R. § 42.301(b) (2014).
288 Id. § 18(a)(1)(A), 125 Stat. at 329.
289 Id. § 18(a)(1)(B), 125 Stat. at 330.
290 37 C.F.R. § 42.302(a) (“Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.”).
not apply to the privy of the petitioner in subsequent civil actions or the International Trade Commission proceedings. The CBMR suffers from all the same faults of the PGR, and in view of the limited scope of estoppel is even more problematic.

IV. THE EARLY DATA ON POST-ISSUANCE REVIEW MECHANISMS

The previous Part set out the AIA created mechanisms for post-issuance review of issued patents as well as pointed out potential problem areas with these mechanisms. This Part will examine the early data on post-issuance review processes to evaluate whether the problems identified ante have indeed begun to plague the newly created procedures, while the following Part will present data on the negative effect these procedures are having on the patentees. Section A analyzes the data on ex parte reexamination. Next, Section B briefly explains the lack of data for PGR proceedings. Finally, Section C examines IPR data, while Section D then analyzes CBMR data.

A. Ex Parte Reexamination

Though ex parte reexamination was not an AIA creation, it is worth discussing here because its continued availability and lack of estoppel provisions affect the overall post-issuance review system. Because the ex parte reexamination process has been in existence for over thirty years, there is significant data that can be analyzed.

Since July 1981, over 12,000 requests for ex parte reexamination have been received in the PTO. Of those, approximately 70% were requested by someone other than the patentee. The technological fields of the patents for which requests were received have been by and large evenly spread between mechanical, chemical, and electrical arts as defined by the PTO. Over 90% of all petitions resulted in the initiation of a re-exam. Despite the high rate of re-exam initiation implying that a “substantial new question of patentability” exists with respect to the claims at issue, nearly a quarter of all patents

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292 Id. Whether the omission of the word “privy” was purposeful or a mere drafter’s error is unclear. Nonetheless, unlike PGR and IPR which estop “petitioner . . . or the real party in interest or privy of the petitioner,” the CBMR only estops “[t]he petitioner . . . or the petitioner’s real party in interest.” See 2 STERNE ET AL., supra note 233, at 40.

293 See infra notes 297–312 and accompanying text.

294 See infra notes 313–318 and accompanying text.

295 See infra notes 319–345 and accompanying text.

296 See infra notes 346–357 and accompanying text.

297 See EX PARTE REEXAMINATION FILING DATA, supra note 125, at 1; REEXAMINATIONS FY 2014, supra note 176, at 1.

298 EX PARTE REEXAMINATION FILING DATA, supra note 125, at 1.

299 Id.

300 Id.
exit the reexamination with all claims confirmed.\textsuperscript{301} That number is consistent irrespective of who has requested the reexamination—the patentee or the owner. An additional two-thirds of the patents exit reexamination with some changes made to the claims.\textsuperscript{302} Only 12\% of all patents that enter reexamination fail to receive the reexamination certificate.\textsuperscript{303} Given such a low rate of invalidation, the system either fails to “weed out low quality patents,” or the patents issued by the office, contrary to popular views, do not actually suffer from “low quality.”

The system, however, does impose significant costs on patent owners, especially on the owners of particularly valuable patents.\textsuperscript{304} About a third of all patents that are put through reexamination are also the subject of litigation.\textsuperscript{305} Because it is common to stay litigation proceedings while reexamination is ongoing,\textsuperscript{306} reexamination can serve to prolong litigation and increase its cost to the patentee.\textsuperscript{307} Given the statistics, the odds favor a patent reemerging from a reexamination unscathed or nearly so and the accused infringer has limited hope to prevail. What the accused or putative infringer can do by requesting reexamination is to force the patentee to spend time and resources to defend the patent in two separate fora.\textsuperscript{308} These costs burgeon further when putative infringers file multiple patent reexamination requests. The numbers suggest that this approach is far from an uncommon one. Between 2000 and 2009, there were 5680 reexamination proceedings, but they concerned only 2560 unique patents, meaning that each patent had on average over two reexamination requests lodged against it.\textsuperscript{309} Of these patents, 11\% had already been reexamined more than once, with some having been reexamined as many as four, five, or even six times.\textsuperscript{310} With each reexamination having a mean length of twenty months,\textsuperscript{311} a patent can be held in a state of

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{301} Id. at 2.
\item \textsuperscript{302} Id.
\item \textsuperscript{303} Id.
\item \textsuperscript{304} See Sterne et al., supra note 171, at 14–15.
\item \textsuperscript{305} EX PARTE REEXAMINATION FILING DATA, supra note 125, at 1.
\item \textsuperscript{306} See Scott M. Daniels & Kate Addison, Why Wait for Oppositions?, 47 IDEA 343, 355 (2007); Mercado, supra note 17, at 114.
\item \textsuperscript{307} See Sterne et al., supra note 171, at 9.
\item \textsuperscript{308} See, e.g., Amy L. Magas, Note, When Politics Interfere with Patent Reexamination, 4 J. MARSHALL REV. INTELL. PROP. L. 160, 173 (2004); Tremesha S. Willis, Note, Patent Reexamination Post Litigation: It’s Time to Set the Rules Straight, 12 J. INTELL. PROP. L. 597, 610 (2005); cf. Jason Rantanen, Slaying the Troll: Litigation as an Effective Strategy Against Patent Threats, 23 SANTA CLARA COMPUTER & HIGH TECH. L.J. 159, 183 (2006) (“Another example of a relatively inexpensive (for the infringer) form of ‘litigating’ is the ex partes reexamination. On the other side of the equation, the costs for the patentee may be quite high.”).
\item \textsuperscript{309} Sterne et al., supra note 171, at 14–15.
\item \textsuperscript{310} Id. at 15.
\item \textsuperscript{311} See CRU DATA FY 2012–13, supra note 176, at 11.
\end{itemize}
\end{footnotesize}
uncertainty for years at a time, which significantly cuts down that patent’s effective life.  

The post-AIA practice is unlikely to change. Though the number of ex parte reexamination requests has fallen after the AIA-created procedures became available (in part because of a significant fee increase for the filing of the ex parte reexamination petition), the overall approach to the process and the legal advice dispensed to putative infringers remain the same.

B. Post Grant Review

As of March 1, 2015, there have not been any PGR proceedings instituted. Strange as it may seem, there is a simple explanation. PGR is not available for any patent with a filing date prior to March 16, 2013. Because it takes a significant amount of time for a patent application to be evaluated and granted, it is unlikely that many patents with such a late filing date have already issued. After all, the average pendency of a patent application to first action is about eighteen months, meaning that patent applications filed on March 16, 2013 are unlikely to be acted upon until August 2014. Given that the average pendency of an application to issuance is nearly twenty-seven months, and that challengers will have up to nine months to decide whether to seek a PGR, we should not expect to see first statistics on that process until about late 2015 or early 2016.

312 See, e.g., RICHARD RAZGAITIS, VALUATION AND PRICING OF TECHNOLOGY-BASED INTELLECTUAL PROPERTY 30 (2003); Colleen V. Chien, FROM ARMS RACE TO MARKETPLACE: THE COMPLEX PATENT ECOSYSTEM AND ITS IMPLICATIONS FOR THE PATENT SYSTEM, 62 HASTINGS L.J. 297, 353 (2010); Henry Grabowski et al., IMPLEMENTATION OF THE BIOSIMILAR PATHWAY: ECONOMIC AND POLICY ISSUES, 41 SETON HALL L. REV. 511, 551 (2011) (“Effective patent life is often uncertain because . . . there is uncertainty associated with the resolution of any patent challenges.”).


315 According to the UPSTO, the average pendency of a patent application until the first office action is 18.3 months and the average total pendency is 26.9 months. See Data Visualization Center, U.S. PAT. & TRADEMARK OFF., http://www.uspto.gov/dashboards/patents/main.dashxml, archived at http://perma.cc/2TNN-5QEP (last visited Apr. 11, 2015).

316 Id.

317 Id.

C. Inter Partes Review

The IPR became available on September 16, 2012.319 In the first twenty-nine months of the process, nearly 2300 petitions were filed, with the lion’s share (over 60%) targeting patents in electrical and computer technology.320 Of these petitions, the PTO has preliminarily decided whether or not to institute a trial in just under 60% of cases.321 The PTO actually ordered into trial around 80% of the petitions it has reviewed.322 The 80% overall grant rate for IPR is appreciably lower than the 93% grant for ex parte reexamination, suggesting that Congress did succeed in raising the threshold for instituting post-issuance review proceedings. That having been said, and though the current trend is favorable, the data on ex parte reexamination is richer than that for IPRs so the numbers may yet equalize.

As of January 18, 2015, the PTO has resolved 163 IPR petitions through final written decisions.323 Of those, only twenty-four decisions confirmed all litigated claims.324 Furthermore, of these petitions, fifteen involved only five separate disputes, i.e., several decisions stemmed from multi-patent disputes between the same parties. In comparison, the PTO cancelled all claims in 121 cases.325 A split decision (cancelling some and upholding other claims) was reached in the remaining eighteen cases. Looking at the total number of claims in all IPRs that have been considered by the PTAB versus the total number of claims that survived, the same general picture emerges—a nearly 75% invalidation rate.

On one hand, these numbers may suggest that the PTAB is doing a good job weeding out meritorious petitions from non-meritorious ones at the initiation stage. On the other hand, these numbers may suggest that it is too easy to invalidate a duly issued patent in IPR proceedings. A recent study suggested


320 AIA Progress Statistics, supra note 319, at 1.

321 Id. at 2.

322 Id. This number is arrived at by not counting petition joinder orders as denials. Whether they are counted together with orders to proceed to trial or excluded from the total, the percentages stay the same.

323 Because some cases were joined, the number of decisions is actually lower than the number of cases resolved. At the same time, some patents are subject to multiple IPR proceedings and multiple separate written decisions.

324 The data was compiled by reviewing every decision issued by the PTAB and comparing the number of claims before the Board to the number of claims that the Board invalidated.

325 In one of the cases, three of the claims on which the IPR trial was instituted were cancelled during a concurrent ex parte reexamination. See Denso Corp. v. Beacon Navigation GmbH, IPR2013-00026, Paper No. 34, at 2 (P.T.A.B. Mar. 14, 2014) (Final Written Decision).
that about 28% of patents are invalidated if subjected to the proper anticipation or obviousness analysis (the only issues which may be considered in an IPR proceeding).\(^{326}\) The numbers are estimated to be a bit higher for “[p]atents covering software and business methods,”\(^{327}\) (which are disproportionately represented in IPR)\(^ {328}\) but are still significantly below the actual IPR invalidation rate. Studies also show that the invalidation rate in the district courts is significantly lower (about 46%) than the current IPR rates.\(^ {329}\) That is doubly significant because in district court a patent can be invalidated on grounds other than lack of novelty or obviousness.\(^ {330}\) Indeed a study indicates that in litigation, patents were found to be anticipated and/or obvious just over one third of the time, i.e., at half the rate found by the PTAB.\(^ {331}\) This of course is not unexpected, because the PTAB applies a lower standard of proof for invalidity\(^ {332}\) and uses a broader claim construction than courts do.\(^ {333}\) Furthermore, it is possible that especially in this first wave of IPR petitions the challenged patents are those that are of most suspect validity and that with time the numbers will even out. That explanation, however, has its own problems.

One reason to doubt that the patents in the first wave of IPR are particularly “weak” is the fact that a number of them have been through litigation or reexamination or both. Thus, 15% of patents in IPR have been involved in and emerged from a previous reexamination. In other words, the Patent Office had already taken a “second look” under the preponderance of the evidence standard and has reconfirmed the claims. Yet, even this added level of scrutiny has not added to the security of patentees’ rights. Over 8% of IPR final decisions have involved patents that have previously prevailed in reexamina-

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\(^{326}\) Shawn P. Miller, Where’s the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents, 18 VA. J.L. & TECH. 1, 6–7 (2013).

\(^{327}\) The study estimates the “correct” invalidity rate to be 39% for software patents and 56% for business methods. Id. at 7.

\(^{328}\) See supra note 320 and accompanying text.


\(^{330}\) See 35 U.S.C. § 282(b) (2012) (providing legal defenses against patent infringement); Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1285 (Fed. Cir. 2011) (en banc) (“inequitable conduct is an equitable defense to patent infringement that, if proved, bars enforcement of a patent.”).

\(^{331}\) Allison & Lemley, supra note 329, at 209.

\(^{332}\) Compare 35 U.S.C. § 316(e) (establishing “preponderance of the evidence” standard in IPR proceedings), with Microsoft Corp. v. i4i Ltd., 131 S. Ct. 2238, 2242 (2011) (holding that in litigation patents can only be invalidated upon a clear and convincing showing of invalidity).

\(^{333}\) See supra notes 242–243 and accompanying text.
Of these patents that have already received a second favorable look, 60% were fully invalidated in the IPR proceedings, and 8% were partially invalidated, for a \textit{per claim} invalidation rate of 83%.\footnote{A number of other patents had inter partes reexamination instituted against them and then terminated on favorable terms due to prevailing in concurrent litigation.} 

Furthermore, only 31% of IPR petitions rely only on “new” (i.e., previously unconsidered) prior art. Three percent rely on old art or art that was already considered by the patent examiner and not found to be invalidating, and 66% rely on a mixture of old and new art. But, all of the petitions are successful at high levels. Of the final written decisions, petitions relying on new art only and old art only result in the identical invalidation rate of 93%, while those relying on mixture of old and new art result in the invalidation rate of 81%. This suggests that not only does the issued patent itself not provide secure property rights, but that the consideration of prior art references by the examiner does little to enhance the security of these rights.

Nearly one third of all patents in the IPR proceedings are subject to multiple IPR requests.\footnote{Again, the number of observations is small (thirteen out of 163 decisions involved patents that have previously prevailed in reexamination), and therefore the great disparity in percentages does not indicate a great disparity in raw numbers. Nonetheless, it does not appear either from the numbers or from reading the PTAB’s decisions that prior reexaminations have had much effect on the outcome of the IPR. Additionally, occasionally patent challengers have filed both IPR requests and ex parte reexamination requests in hopes of prevailing in at least one forum. For example, Toyota Motors filed an IPR request against U.S. Patents No. 6,772,057 and 5,845,000, both owned by American Vehicular Sciences. See Toyota Motor Corp. v. Am. Vehicular Scis., LLC, IPR2013-00419, Paper No. 3 (P.T.A.B. July 12, 2013) (Petition for Review); Toyota Motor Corp. v. Am. Vehicular Scis. LLC, IPR2013-00424, Paper No. 2 (P.T.A.B. July 12, 2013). Toyota partially prevailed in its request invalidating seventeen claims between the two patents. See Toyota Motor Corp. v. Am. Vehicular Scis., LLC, IPR2013-00419, Paper No. 59, at 28 (P.T.A.B. Jan. 12, 2015) (Final Written Decision); Toyota Motor Corp. v. Am. Vehicular Scis., LLC, IPR2013-00424, Paper No. 50, at 27 (P.T.A.B. Jan. 12, 2015) (Final Written Decision). Twenty-three claims, however, were reconfirmed during the IPR. See Toyota Motor Corp. v. Am. Vehicular Scis., LLC, IPR2013-00419, Paper No. 59, at 29 (P.T.A.B. Jan. 12, 2015) (Final Written Decision); Toyota Motor Corp. v. Am. Vehicular Scis., LLC, IPR2013-00424, Paper No. 50, at 27 (P.T.A.B. Jan. 12, 2015) (Final Written Decision). Apparently to protect itself against such an eventuality, Toyota also filed ex parte reexamination requests, both of which remain pending as of the date of this writing. See generally Request for Ex Parte Reexamination of U.S. Patent No. 6,772,057 (App. No. 90/020,077, Nov. 14, 2013) (on file at USPTO); Request for Ex Parte Reexamination of U.S. Patent No. 5,845,000 (App. No. 90/020,078, Nov. 14, 2013) (on file at USPTO).} Although some of these petitions are joined and result in a single proceeding, that is not always the case, and because estoppel provisions are claim, rather than patent, specific, subsequent IPR requests can be
(and are) brought against the same patent. 337 On average, each IPR petition challenges only about 50% of the claims in any given patent. 338

An additional interesting data point is the PTAB’s treatment of motions to amend claims. 339 Although the availability of such a motion is an advantage that the patentee enjoys in the PTO proceedings over the district court litigation, 340 it appears that at least so far, the advantage is purely ephemeral. Out of all the final decisions, the motion to amend was granted only twice, 341 one of which was with respect to a patent owned by the U.S. Government, 342 and absent opposition from the challenger. 343 In every other case (forty-eight in total), 344 the motion to amend was denied. Therefore, at least in these early stages, it appears that the advantage to the patentee stemming from his ability to amend the claims is merely illusory. What was meant to be the counter-balance to the challenger’s lower burden of proof in practice does not exist.

Before moving on to the next Part, an important caveat to these statistics must be acknowledged. About 15% of all IPR requests filed were ultimately (privately and confidentially) settled between the filer and the patentee, resulting in termination of the proceedings before the PTAB. 345 Because these settlements are confidential, it is hard to know whether they resulted in a covenant not to sue, a license, or any other agreement. Nonetheless, what may be going on is that putative infringers use the petition for IPR as leverage to achieve better and lower-price licensing terms.

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337 See id. The PTAB rendered decisions in 164 cases by January 18, 2015, thirty seven of which involved multiple IPR requests.


340 See supra notes 245–247 and accompanying text.


344 In the remaining cases, no motion to amend was made.

345 See AIA Progress Statistics, supra note 319, at 1, 2 (noting 340 settlements out of 2323 total petitions and counting those cases as “final dispositions”). In an additional fifty cases (or about two percent of the total), the patentee declined to defend the challenged claims and requested an entry of an adverse judgment. Id.
D. Covered Business Method Review

The early statistics on the CBMR are scarcer than those on IPR. Though both CBMR and IPR became available on the same date, the universe of patents subject to the former procedure is narrower than the universe of patents subject to the latter. Since September 16, 2012, 279 CBMR petitions have been filed and, as of January 8, 2015, the PTO has issued decisions on whether to institute a full trial in approximately sixty percent of these petitions. 346 Of these preliminarily adjudicated petitions, the PTO instituted trials in more than three quarters of all cases. 347 Twenty-one of these cases have been completed and resulted in a final written decision. The statistics are even more staggering than the statistics for IPR. Every petition, but two, 348 has resulted in every challenged claim being held unpatentable and cancelled. One case resulted in three out of twenty 349 and another in twelve out of twenty-eight challenged claims surviving. 350 The per-case invalidation rate in CBMR is over ninety percent and per-claim rate is over ninety-four percent.

Though these statistics are eye-popping, they too need to be taken with a grain of salt. First, the number of observations is low and with more cases being adjudicated, the results may become more balanced. Second, out of the twenty-one adjudicated cases, seven involved a single family of patents held by a single patentee, which in large part rose and fell together. 351

Nonetheless, the extraordinarily high rate of invalidation in the CBMR proceedings is a cause for concern. It is especially so when the PTAB's judgment is directly contrary to that of federal courts even on what has long been considered a pure question of law. For example, at least one patent that was invalidated in the CBMR proceedings not only was upheld at trial, but had

346 Id. at 1, 2.
347 Id. at 2.
those findings affirmed by the Federal Circuit. The accused infringer did not even appeal the validity findings to the Federal Circuit. Instead, the infringer filed a request for CBMR and, utilizing the lower burden of proof, had the claims invalidated. Applying a different claim construction than that which was used by federal courts, the PTAB invalidated the patent.

In another case, CBMR was instituted after a patent was found to be valid by the District Court. Even though the District Court found the patent to be not infringed (albeit valid), the accused infringer chose to insure himself against Federal Circuit reversal on the issue of infringement by turning to the PTAB to invalidate the patent found to be valid at trial. After a hearing, the PTAB invalidated the patent.

Though the data are obviously very preliminary and not yet sufficiently voluminous to draw any definitive conclusions, it does appear that the CBMR process can be and is used to avoid federal judgment against infringers. This creates uncertainty not only in the patent rights themselves, but also in the right to a duly entered judgment.

In summary, the AIA post-issuance review processes thus far seem to be a boon for the patent challengers with almost no countervailing benefits to the patentees. But, from the patentee’s perspective, drawbacks are not limited to the high claim invalidation rate at the PTAB. Rather, there are significant extra costs that flow from the third parties’ ability to use the threat of invoking these processes against the patentees’ property rights. These costs become evident when one considers the several case studies below.

V. THE ABUSES IN THE SYSTEM

As previously discussed, the ex parte reexamination system, as well as the new AIA post-issuance review proceedings are rife with opportunities for abuse against the patentees. Though Congress apparently attempted to fix the problems with the ex parte reexamination, a number of opportunities for

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352 See Versata Software, Inc. v. SAP Am., Inc., 717 F.3d 1255, 1269 (Fed. Cir. 2013) (affirming the district court’s judgment of infringement and validity).
354 Id. at 17–19 (explaining why the PTAB will use different claim construction standards than the courts) and 34 (holding claims which survived litigation to be unpatentable under 35 U.S.C. § 101).
356 See id. at 2–3 (describing procedural history).
357 Id. at 17–18. The PTAB proceeded with a hearing and final judgment despite the parties’ agreement to settle. See id. at 1–3.
abuse not only persisted, but actually increased with the passage of the America Invents Act.

Although the statistics in the preceding Part tell some of the story, this Part will focus on specific examples of the abuses that occur under the cover of the AIA umbrella. Section A discusses rent seeking behavior, while Section B addresses attempts to evade estoppel and time bars. Then, Section C examines seriatim attempts at invalidation. Finally, Section D surveys the use of post-issuance review proceedings to retaliate against other firms or create pressure to force settlements.

A. Rent Seeking

The threat of instituting post-issuance review proceedings can be part of rent-seeking behavior on the part of firms or individuals not even involved in an underlying patent dispute. A clear example of such behavior is the case of four patents owned by VirnetX, Inc. The patents in question cover a method for transparently creating a virtual private network between a client computer and a target computer and creating a secure domain name service. In 2010, VirnetX filed suit against Apple, Inc. alleging infringement of these patents. Apple defended on the grounds that the patents are invalid. At trial, VirnetX prevailed on every issue and received a jury award of $368,160,000. A judgment was entered on the verdict, and Apple took an appeal to the Federal Circuit. While an appeal was pending, a hitherto unknown entity, New Bay Capital, LLC filed an IPR request against each of the patents owned and asserted by VirnetX. Prior to filing the requests, however, New Bay made an offer to VirnetX. For 10% of the jury verdict (or almost $37 million), it was willing to forego the filing of the IPR request.

See infra notes 362–371 and accompanying text.

See infra notes 372–396 and accompanying text.

See infra notes 397–428 and accompanying text.

See infra notes 429–451 and accompanying text.


Id. at 849–50.

See Cisco Sys., 767 F.3d at 1344 (vacating damages award and remanding).

Neither New Bay, nor its parent company was ever involved in any litigation with VirnetX, nor was it ever threatened with any patent enforcement action. Indeed, it is unclear what, if anything, New Bay does. Yet, because of a lack of any standing requirements to file an IPR request, New Bay was able to engage the machinery of the PTO in its quest to obtain thirty-seven million dollars for doing absolutely nothing of note. The ability to request IPR was a powerful tool in New Bay’s arsenal.

Although VirnetX refused New Bay’s demand for a pay-off, it paid a high price when New Bay carried through on its threat. Within a week of the IPRs being filed, VirnetX’s stock price fell by 25%, which translated into a 250 million dollar loss in market capitalization. This price volatility may well have been the reason for New Bay’s requests, as one of the possible reasons for its actions is their market position with respect to VirnetX’s stock.

Whatever the reason for New Bay’s payoff demand and subsequent IPR request, it illustrates that the system can be used to destroy not just the value of a patent, but the value of a patentee’s entire enterprise. And that multimillion dollar damage can be accomplished at the relatively low cost of an IPR filing. Because the cost of filing an IPR request to the patent challenger is fairly modest, the threat of going through with it is almost always credible. Given the possible high costs imposed on the patentee, the patentee is in a lose-lose situation: either submit to a challenger’s monetary (or other) demands, or risk suffering losses on the market. The challenger, on the other hand, is in a win-win situation. It need not even prosecute its challenge to completion. In fact, New Bay abandoned its challenge before the PTAB even decided whether to institute an IPR in response to New Bay’s request.

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spite this early abandonment of its challenge, New Bay managed to wreak havoc on VirnetX’s market position (and possibly managed to make a significant profit from VirnetX’s losses). In other words, the entire proceedings were nothing but a naked wealth transfer from the patentee to an entity that seemingly exists solely for attempts to collect money from the patentee.

Such machinations defeat all possible purposes of having the post-issuance review proceedings in the first place. An abandoned challenge does not result in cancellation of patents’ of “dubious validity” (assuming arguendo that VirnetX’s patents would fit into that category), thus ill-serving the public interest in clearing the field from invalid patents. Nor does such a challenge make the patentee more secure in his rights as the challenge never gets formally adjudicated by the PTAB, leaving the patentee (and the public) wondering whether the art cited against the patent is truly invalidating, and if so, whether to expect new challenges based on the same art. Given that nothing was resolved in the process, it is impossible to talk about increased speed or decreased cost for dispute resolution. In short, the result of the New Bay petitions was diametrically opposed to the announced goals of the post-issuance proceedings that New Bay relied on.

The setup of the AIA post-issuance proceedings almost ensures that more “New Bays” will come about. The opportunity to make money by shorting the market or by extracting rents from the patentee is simply too great to pass up. And because it is the most valuable patents that are the preferred targets of such requests, it is the value of the truly innovative companies that is likely to be destroyed (or at least significantly damaged) by this rent-seeking usage of the post-issuance proceedings. Such use of the proceedings will result in wealth transfers from innovators and investors in technology to investors in litigation, thus spurring rather than diminishing patent disputes and litigation.

The AIA attempted to rein in seriatim requests for post-issuance review by patent challengers by requiring that any request be brought within one year of the challenger being sued for infringement and by forbidding re-litigation of issues that were or could have been raised in the first PTO proceeding that resulted in a final judgment.\textsuperscript{372} In the minds of the AIA’s drafters, these limitations would protect patentees against harassment by patent challengers.\textsuperscript{373} As it turned out, however, these bars can be evaded with relative ease.

The most prominent example of attempts to evade such strictures also stems from the VirnetX patents. While New Bay’s IPR petitions were pending, Apple—the losing party in district court litigation—filed its own IPR petitions.\textsuperscript{374} As it happens, however, Apple’s petition was not timely because VirnetX sued Apple more than one year prior to Apple’s filing of the IPR request.\textsuperscript{375} Though Apple attempted to file the request anyway, the PTAB dismissed it.\textsuperscript{376} That should have been the end of the story, but it was not.


As soon as New Bay’s IPR petitions were withdrawn, seven additional IPR requests were filed by RPX Corporation.\textsuperscript{377} RPX is neither a manufacturer nor an inventor of any products. Rather, it “is the leading provider of patent risk solutions, offering defensive buying, acquisition syndication, patent intelligence, insurance services, and advisory services.”\textsuperscript{378} It is a membership-based organization that provides the aforementioned services to its members.\textsuperscript{379} One of the services it provides is participation in post-issuance review in an attempt to invalidate patents.\textsuperscript{380} Although such attempts are clearly meant to benefit RPX’s member-clients, ostensibly, RPX files petitions in its own name.\textsuperscript{381} By using this approach RPX attempted to evade the time bars applicable to one of its clients—Apple.

In its petition for IPR of VirnetX’s patents, RPX asserted that it is the real party in interest and is therefore not bound by any time bars or estoppel
provisions that may be applicable against Apple.\textsuperscript{382} It further asserted that though it “has solicited contributions from its clients to help fund” its patent challenges, it retains the “sole discretion over and controls the decision of which patents to contest through PTO post-issuance proceedings, the grounds that are raised in any petition . . . the conduct of RPX in such proceedings and the decision to continue or terminate the participation of RPX in any such proceeding.”\textsuperscript{383}

After receiving $500,000 from Apple and engaging the same law firm Apple used to defend itself against charges of infringing VirnetX’s patents,\textsuperscript{384} RPX decided, in the exercise of this supposedly “sole discretion,” that VirnetX’s patents are “of questionable validity,” and should be challenged before the PTO. The PTAB eventually held that on the very specific facts of RPX’s petition, the real party in interest was Apple, and therefore the time bars applicable to Apple were equally applicable to RPX.\textsuperscript{385}

That holding, however, was predicated on a particularly strong intertwining of Apple’s work and needs with RPX’s actions. It is not clear from the Board’s opinion that the mere fact of Apple’s membership in RPX would have been sufficient to bind RPX with Apple’s deadlines.\textsuperscript{386} In other words, there may be opportunities for multiple rounds of reviews initiated not just by RPX itself, but by any of its members. Just because RPX’s member-client, who paid membership dues, may benefit from RPX’s decision to seek post-issuance review, it does not lead to the conclusion that such a member-client is the true “real party in interest.” This suspicion is bolstered by the fact that within a month after the PTAB denied RPX’s petition against VirnetX, RPX filed four new petitions against another patentee who also secured a multi-million patent infringement judgment.\textsuperscript{387} One would assume that RPX’s at-

\textsuperscript{382} Id. at 1, 4.
\textsuperscript{383} Id. at 3.
\textsuperscript{385} Id. at 10.
\textsuperscript{386} Id. (specifying that the conclusion is reached on that particular record).
torneys took the Board’s holding in VirnetX’s case into account when filing their new petitions.

RPX’s actions, however, are not limited to evading estoppel and time bars to post-issuance proceedings. They also serve to enable each of their members (who happen not to be subject to any bars) to share costs and information on the potential lines of attack against a patent. Then that information can be deployed piecemeal against a patentee to keep her patent under a constant and continuous IPR threat. In effect, that is what nearly occurred in VirnetX’s case.

Because VirnetX’s patents involve fundamental technology used by multiple software companies, Apple was not the only company interested in invalidating these patents (nor was it the only company that VirnetX sued).388 Another industry giant and RPX client—Microsoft—wanted these patents eliminated.389 Microsoft filed its own twelve separate petitions over the course of three months, challenging six separate patents owned by VirnetX.390 Four of these patents were previously challenged by RPX,391 and Microsoft’s


petitions alleged the *exact same* grounds of invalidity that were alleged by RPX. 392 This was easy to do because, as a client of RPX, Microsoft had access to its legal and factual research. The PTO granted seven of Microsoft’s petitions, 393 denied three as untimely filed, 394 denied two on the merits, 395 while seven others remain pending. A company like RPX can pool the resources of its members to compile a dossier on a patent that the members wish to invalidate. 396 The dossier can be made available to all members who can then proceed in piecemeal fashion against a patentee. That is precisely what happened to at least some of VirnetX’s patents and it is likely that such a system will flourish going forward.

C. Seriatim Attempts at Invalidation

In the previous Section, this Article explained that a number of patents that are subject to a post-issuance review request often face more than one such request. When these requests are filed simultaneously, the burden on the patentee is somewhat alleviated because the PTAB tends to consolidate mul-


395 Compare supra note 390 and accompanying text (Microsoft’s petitions), with supra note 391 and accompanying text (RPX’s petitions).

396 Indeed, following the first round of challenges by Apple and Microsoft, VirnetX has been faced with an additional seventeen IPR requests by these two companies.
tiple pending requests into a single adjudicatory proceedings. Even in these circumstances, the challenger is in a better position than the patentee because the challenger can stagger his filings in such a way as to constantly keep the patentee’s attorneys busy with drafting responses to the post-issuance review petitions.

The larger problem, however, comes when, having failed in one post-issuance review proceeding, the challenger is able to trigger yet another one. One way to do this is to ask for an ex parte reexamination first, followed by the AIA-created procedures. Another method is to seek IPR first, followed by CBMR. Such an approach would not be precluded by the estoppel provisions because certain lines of attack that are available in CBMR are not available in IPR, meaning that it is not an issue that “could have been raised.” Yet another way of *seriatim* litigation is to challenge different claims in separate IPR or CBMR proceedings. This too does not trigger any estoppels, because the estoppels are applied on a *per claim* rather than per patent level.

One such instance is a patent owned by Zillow, an online real estate database that is directed to online valuation of real estate. In October 2012, Microstrategy, Inc. filed an IPR request with respect to each of the forty claims in Zillow’s patent. Microstrategy is a company specializing in “provid[ing] the most flexible, powerful, scalable and user-friendly [enterprise software] platforms for analytics, mobile, identity and loyalty—offered either on premises or in the cloud,” a business that has little apparent connection with real estate. The Board granted the request in part, instituting review with respect to twenty-nine out of the forty claims. On March 27, 2014, the Board cancelled twenty-five of the twenty-nine litigated claims and upheld the remaining four. Zillow retained nineteen total claims following the conclusion of the IPR.

That should have allowed Zillow to breathe at least a partial sigh of relief. Instead, almost immediately following this partial victory, Zillow was haled right back before the PTO by Trulia—a competitor in the online real estate valuation market. On April 10, 2014, a mere two weeks after Zillow

397 In some of the cases, though the petitions may not be formally joined, the PTAB permits a single discovery and oral argument processes.
398 See *supra* notes 278–279, 287 and accompanying text.
399 See *supra* note 212 and accompanying text.
401 See *supra* notes 278–279, 287 and accompanying text.
managed to retain nineteen out of forty claims of its patent, Trulia filed a CBMR petition asking for a review of fifteen of the claims in Zillow’s patent.405 Interestingly enough, part of the petition went to the claims already cancelled in the prior IPR proceedings, but nine of the identified claims were ones that the PTAB declined to even institute a trial on in the previous IPR proceedings.406 Despite previously prevailing on the issue (albeit against a different petitioner), Zillow had to defend its right to the claims at issue all over again.407 The PTAB promptly instituted trial on all but one of the challenged claims.408 Zillow’s patent has been under a consistent cloud since October 2012, i.e., nearly two years as of this writing, and will spend additional time in limbo until the Board issues its final decision on Trulia’s CBMR petitions. Of course, these petitions could be followed with more petitions challenging other remaining claims. In that manner, Zillow’s patent could be kept in limbo for significantly longer than it would have taken to resolve district court litigation.

But Zillow is not the only victim of such tactics. Another good example is PersonalWeb Technologies. PersonalWeb is an owner of a number of patents generally directed to properly identifying and recalling data in complex data systems.409 In December of 2012, an IPR was requested (and ultimately granted) on claims in six of these patents.410 As relevant here, on May 15, 2014, the PTAB issued a final decision invalidating claims in two of the chal-

408 See id.
The Board invalidated ten claims (out of a total of forty-eight) in one patent and two (out of a total of fifty-five) claims in the second patent. The patentee appealed the Board’s decision to the Federal Circuit. While the appeal was pending, another challenger filed additional IPR requests against both patents. These new requests challenged the already cancelled claims, as well as some claims that were previously not subject to an IPR.

At the first glance, seeking review of already cancelled claims may seem odd, or at least superfluous. Given that claims once held unpatenable cannot be asserted against any party, it would seem to be a waste of resources to attempt to again prove unpatentability. Upon closer inspection though, the strategy makes sense. By submitting such arguments, the challenger continues to keep the challenged claims in limbo even if the Federal Circuit were to reverse the Board’s judgment. If that were to happen, the petitioner who was not a party to the previous litigation would not be bound by the Federal Circuit’s decision and would be free to make new and additional arguments regarding invalidity of the claims that were confirmed by the Court of Appeals. This allows the challengers to keep any claim under a cloud of uncertainty for a potentially indefinite period.

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419 For another example of problems created by uncertainty in the intellectual property context, see Irina D. Manta, Privatizing Trademarks, 51 ARIZ. L. REV. 381, 383 (2009) (“This period
In addition to the “insurance” arguments, the new IPR requester challenged claims not previously subject to an IPR. What is interesting is that the “new” claims were challenged on the same grounds as were the claims in the preceding IPR, i.e., the same prior art that was used to argue that the first set of claims were invalid was used to argue that the new claims are invalid. Although there is nothing wrong with using arguments made in one case (especially a successful one) to bolster a different case, what such “stacking” of IPR petitions allows challengers to do is to make sure that a patent never gets out from under an IPR review. By challenging only one or a few claims at a time the challengers are able to preclude, or at least severely inhibit, a patentee’s ability to monetize or even enforce her patent.

Although a patent that is in the midst of an IPR proceeding continues to be enforceable, judges may stay the infringement action while the IPR is ongoing. That is exactly what happened to PersonalWeb’s infringement actions. While the PTO review and any appeals therefrom are ongoing, patentees may be de facto barred from actually enforcing their patents to the fullest. If they ultimately prevail in the PTO, patentees can obtain damages for any infringing activities that occurred during the review process. But, that may be insufficient to compensate a patent owner. And the longer
owners have to wait, the less adequate the eventual monetary compensation is likely to be.\textsuperscript{428}

The challengers therefore have every incentive to “stack” their IPR and CBMR petitions to deprive the patent owner of his ability to fully and consistently enforce his patents. Given the structure of the IPR review process, there is little to nothing that the patentee can do to prevent such abuse.

\subsection*{D. Retaliation and Pressure Tool}

The post-issuance review proceedings are also not used to accomplish the stated goal of the America Invents Act (and the preceding legislation) to rid the world of “low quality” patents. Instead they are used to either settle scores with patent owners or to strong-arm companies into more favorable licensing deals. The Zillow patent discussed in the preceding Section is an example of such “score-settling.”

Recall that the first challenger to the Zillow patent was a company with no relationship to Zillow or the technology protected by the patents.\textsuperscript{429} Nor was the challenger an RPX-like company that has patent invalidation as one of its stated goals.\textsuperscript{430} It is somewhat puzzling as to why a company whose business is the provision of enterprise software platforms would be willing to spend hundreds of thousands of dollars litigating a patent which would never threaten them or their clients. As a legal matter, Microstrategy was perfectly within its rights to initiate such a procedure.\textsuperscript{431} But as an economic matter, the decision seems illogical. Zillow’s responsive pleading, however, resolves this mystery.\textsuperscript{432}

As it turns out, Microstrategy was involved in another, entirely unrelated patent litigation against an unrelated third party on an unrelated patent.\textsuperscript{433} The only thing that connected that litigation to Zillow, was the fact that Zillow’s attorneys (the large law firm of Susman Godfrey) also happened to represent Microstrategy’s opponents—Vasudevan Software, Inc., also known as VSi.\textsuperscript{434} During the course of negotiations between VSi and Microstrategy, Microstrategy threatened that unless the infringement lawsuit against them was

\textsuperscript{428} In the meantime, the owner may lose market share and name recognition.
\textsuperscript{429} See supra note 402 and accompanying text.
\textsuperscript{430} See supra note 374 and accompanying text.
\textsuperscript{434} Id. at 2.
dropped, not only would they seek PTO review of all of VSi’s patents, but that they would retaliate against Susman Godfrey by going after their clients.\footnote{Id.} When VSi’s lawsuit was not dropped, Microstrategy followed through on its threat and filed a petition for IPR against Zillow.\footnote{Id.} The petition ultimately resulted in the invalidation of twenty-five out of forty claims in Zillow’s patent.\footnote{See supra note 403 and accompanying text.} It may well be that these claims should never have issued and that the public is ultimately better off with them being cancelled. Microstrategy’s IPR request, however, exemplifies how the system can be used for improper purposes and as a tool to browbeat patent owners, even ones who have nothing whatsoever to do with whatever has raised the ire of the petitioner.

The case also illustrates how the post-issuance review system can be used to extract better settlement terms from patent owners. When Microstrategy was unable to get VSi to drop its lawsuit, it petitioned the PTO for an IPR of all four of VSi’s patents.\footnote{See Order Denying Motion for Sanctions, Vasudevan Software, No. 3:11-CV-06637-RS, at 2. The filing occurred on September 14, 2012, a mere two days before the \textit{inter partes} reexamination was abolished and replaced by IPR. \textit{See supra} note 108 and accompanying text.} Two of the four patents for which a reexamination was requested had already been reexamined once before and four of the seven references cited as invalidating prior art had already been considered by the PTO in the prior proceedings.\footnote{See Order Denying Motion for Sanctions, Vasudevan Software, No. 3:11-CV-06637-RS, at 2. Despite that, the PTO, consistent with its near-automatic granting of reexamination petitions, \textit{ordered} VSi’s patents into reexamination.} Microstrategy did not even try to hide that its purpose in seeking reexamination was to increase costs on VSi and to cow it into dropping the suit against Microstrategy.\footnote{See \textit{id.} at 2–4 (describing the facts as “largely undisputed”).} It was not about attempting, in good faith, to prove that any of the claims at issue were invalid because of anticipation or obviousness.\footnote{Microstrategy ultimately managed to convince the district court that the patents were invalid for indefiniteness. Order Granting Summary Judgment of Invalidity, Vasudevan Software, 3:11-CV-06637-RS, at 20 (N.D. Cal. Oct. 17, 2013). But, indefiniteness is not one of the grounds that can be considered in reexamination (or IPR). 35 U.S.C. § 311(b) (2012). In light of the fact that Microstrategy did not appear to make any section 102 or section 103-based arguments in the district court but instead relied exclusively on indefiniteness, it would seem that the reexamination request was filed for no reason other than to browbeat the plaintiff by increasing its costs into terminating its suit.} Rather, it was an attempt to extract a more favorable settlement agreement (in this case a complete dismissal of litigation).

Another egregious example of abusing the post-issuance review process is the case of ImmunoGen, a company that is working “to develop innovative
anticancer therapies that meaningfully improve the lives of patients.” Several patents on certain antibodies that are useful in cancer therapies resulted from ImmunoGen’s work and were eventually licensed to Genentech (a large biotechnology company), which in turn practiced the patents. The relationship between ImmunoGen and its licensee was quite productive.

At some point, Genentech was sued by another company, Phigenix, Inc., which holds a patent on the method of treating a certain type of breast cancer. In its suit Phigenix claimed that the sale and use of the drug marketed by Genentech (and covered by ImmunoGen’s patent) infringes its method patents. In addition to suing Genentech, however, Phigenix also filed an IPR request against ImmunoGen’s patents. ImmunoGen does not appear to have ever asserted its patents against Phigenix (in part because Phigenix does not manufacture any pharmaceutical products), and therefore the invalidation of ImmunoGen’s patents in and of itself would bring Phigenix no tangible benefit. Yet, Phigenix was willing to spend thousands of dollars fighting irrelevant (from its perspective) patents. The only reason for this filing appears to be obtaining more favorable licensing terms in an unrelated negotiation with the patentee’s partner, by threatening the valuable assets of the patentee.

Again, the post-issuance review system was being used not to achieve any of its goals, but rather as a tool to increase leverage for negotiation. In other words, rather than reduce the total litigation expenses, the system actually increases them, because it allows companies like ImmunoGen to be dragged into litigation by companies like Phigenix who have no actual complaint against them (and would be unable to file a civil suit in an Article III court).

449 Compare 35 U.S.C. § 311(a) (2012) (stating that “a person who is not the owner of a patent may file with the [PTO] a petition to institute an inter partes review of the patent”), with MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 128–29 (2007) (laying out the standing re-
There is also an additional cost to the public from such filings. Instead of spending its time, money, and other resources on developing “innovative, effective anticancer therapies that meaningfully improve the lives of patients with cancer,” ImmunoGen is now forced to spend it on defending its patent before the PTAB. It would be one thing if such costs were offset by the possibility that the invalidation of the patent would lead the challenger to enter the market with a competing, more affordable product. But, in this case, that is not the reality. Phigenix is not ImmunoGen’s competitor and will not enter the market with an alternative to ImmunoGen’s patented antibodies. Society is left with an innovative company that, win or lose at the PTO, will have less money to dedicate to further research and development of cancer treatment. It is hard to fathom that that is what was intended by the patent reformers.

CONCLUSION

The goal of this Article is to demonstrate that the efforts to reform the patent system to decrease or eliminate “dubious patents” and “reduce litigation costs” have almost uniformly failed to take into account the costs such reforms impose on patentees. It argues that although the benefits of various patent reform measures may be quite real, they should be weighed against the true costs of those reforms. The data and the case studies presented in this Article show that the current system of post-issuance review can be, and is, abused. Such abuses not only impose costs that Congress failed to fully consider in enacting the legislation, but also result in outcomes directly contrary to the goals Congress thought it would accomplish.450

Congress is perpetually interested in patent reform, partially because each attempt at reform fails to fully take into account the experience of prior reforms and to consider the full scale of costs associated with the proposals. For that reason, the reform attempts nearly always come up short, perpetuating further calls for reform. That is not to say that every change in the patent laws since the founding of the Republic has been ill-conceived. Rather this Article attempts to show that:

There will [always] be cases, in spite of any changes we make in the law, where practitioners at the Patent Office will impose upon the office and induce it to grant patents ought not to be granted, where attorneys will get out patents that are worthless, which they know are anticipated, and betray their client for the sake of winning a fee from him, although they know that when such a patent is ob-

450 It is likely that these abuses would only get worse as the PGR proceedings become available.
tained it will be mere waste paper in his hands, or only useful to de-

fraud the public.451

Creating additional and ever-more expansive procedures to eradicate such patents is a dubious approach because it may end up imposing unnecessary and exceedingly high costs on legitimate patents and patentees. It is a lesson that Congress would be well-advised to heed as it proceeds to debate yet another round of patent reform.