

112TH CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 112-98  
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AMERICA INVENTS ACT

JUNE 1, 2011.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Texas, from the Committee on the Judiciary, submitted the following

R E P O R T

together with

DISSENTING VIEWS AND ADDITIONAL VIEWS

[To accompany H.R. 1249]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 1249) to amend title 35, United States Code, to provide for patent reform, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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99-006

MANUAL EXHIBIT 1171

*Post-grant review proceedings*

The Act amends *ex parte* and *inter partes* reexamination and establishes a new post-grant review procedure. Under current law, there are two ways to challenge the validity and enforceability of a patent that has issued. The patent may be challenged in district court litigation or in a reexamination at the USPTO.

Nearly 30 years ago, Congress created the administrative “reexamination” process, through which the USPTO could review the validity of already-issued patents on the request of either the patent holder or a third party,<sup>30</sup> in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation.<sup>31</sup> Reexamination requires the USPTO to review the patent in light of a substantial new question of patentability not presented during the original examination.<sup>32</sup> The initial reexamination statute had several limitations that later proved to make it a less viable alternative to litigation for evaluating patent validity than Congress intended. First, a reexamination request could only be based on prior art, and could not be based on prior public use or prior sales. Moreover, the requestor could not raise any challenge based on § 101 (utility, eligibility) or § 112 (indefiniteness, enablement, written description, best mode). A third party alleging a patent is invalid, therefore, had fewer challenges it could raise in the proceeding and, therefore, may instead opt to risk infringement and litigate the validity of the patent in court. Second, in the original reexamination system, the third-party challenger had no role once the proceeding was initiated, while the patent holder had significant input throughout the entire process. Third, a challenger that lost at the USPTO under reexamination had no right to appeal an examiner’s, or the Patent Board’s, decision either administratively or in court. Restrictions such as these made reexamination a much less favored avenue to challenge questionable patents than litigation. Reexamination proceedings are also often costly, taking several years to complete,<sup>33</sup> and are first conducted by examiners and, if the patent is rejected, then by Patent Board judges. Thus, many patents must go through two rounds of administrative review (one by the examiner, and a second by the Patent Board) adding to the length of the proceeding.<sup>34</sup>

<sup>30</sup>See 35 U.S.C. §§ 301–307. A patent holder will typically request reexamination to bolster the patent in view of new prior art. A third party may request reexamination to challenge, and ultimately invalidate, the patent.

<sup>31</sup>“Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. . . . The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system. . . . It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of united states patents in an efficient and relatively inexpensive manner.” See H.R. Rep. No. 96–1307(I) at 3 (1980), reprinted in 1980 U.S.C.A.N. 6460, 6462–63.

<sup>32</sup>See 35 U.S.C. § 303.

<sup>33</sup>See *Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Jon W. Dudas, Undersecretary of Commerce for Intellectual Property, Director of the U.S. Patent and Trademark Office), explaining that “a large number of reexamination proceedings have been pending before the USPTO for more than 4 years,” and questioning whether this amount of time is consistent with the statutory requirement that “[a]ll reexamination proceedings . . . will be conducted with special dispatch within the Office.” See also 35 U.S.C. § 305.

<sup>34</sup>For several years, the standard practice at the USPTO was to assign the reexamination to the patent examiner who had originally examined that patent. In addition, the same third-party requester could file multiple, serial reexaminations based on the same “substantial new question of patentability,” so long as the initial reexamination was not complete. More recently, the

Continued

Congress has responded several times to criticisms of the reexamination system by making amendments to the process.<sup>35</sup> In 1999, Congress created a second reexamination procedure—called inter partes reexamination—that gave third-party challengers greater input throughout the proceeding by permitting them to respond to every pleading submitted by the patent holder.<sup>36</sup> Congress also eventually gave third-party challengers the right to appeal adverse decisions.<sup>37</sup>

As part of the 1999 improvements to reexamination, Congress directed the USPTO to submit a report to Congress evaluating the inter partes reexamination process and making any recommendations for changes.<sup>38</sup> Initially, the USPTO projected that in the first year after the creation of inter partes reexamination, it would receive 400 such requests and it projected that by 2004 it would receive nearly 600.<sup>39</sup> No inter partes reexamination requests were actually filed in 2000 and only 27 such requests had been filed by 2004.<sup>40</sup> Over the 5-year period studied by the USPTO, it issued 900,000 patents and received only 53 requests for inter partes reexamination.<sup>41</sup>

The Act expands the category of documents that may be cited in a reexamination proceeding to include written statements of the patent owner that have been filed in a proceeding before a Federal court or the USPTO regarding the scope of claims. This addition will counteract the ability of patent owners to offer differing interpretations of prior art in different proceedings. These written statements, which include documents, pleadings or evidence from proceedings that address the patent owner's statements, shall not be considered for any purpose other than to determine the proper meaning of the claims that are the subject of the request in a proceeding. Specifically, the Committee does not intend these statements to be a basis for the institution of a reexamination proceeding. Reexaminations will continue to be available only on the basis of "patents or printed publications."<sup>42</sup>

The Act also amends the ex parte reexamination procedure to allow the Director to institute a reexamination on the Director's own initiative if a substantial new question of patentability is raised by patents or publications.

The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the pro-

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USPTO ended some of these procedures, and now reexaminations are handled by a Central Reexamination Unit (CRU), and subsequent serial reexamination, based on the same "substantial new question of patentability," is no longer permitted. See, e.g., Manual of Patent Examining Procedure (MPEP) §§ 2236 and 2240 (August 2006).

<sup>35</sup> See e.g., 21st Century Dep't of Justice Appropriations Authorization Act, Pub. L. No. 107-273, §§ 13105-06, 13202, 116 Stat. 1758, 1761 (2002) (effective Nov. 2, 2002); American Inventors Protection Act, Pub.L. 106-113, 113 Stat. 1536, § 1501A et seq. (1999) (creating inter partes reexamination) (hereafter referred to as the "AIPA").

<sup>36</sup> See 35 U.S.C. §§ 311-318.

<sup>37</sup> See 35 U.S.C. § 315(b).

<sup>38</sup> AIPA, Pub. L. 106-113, § 4606.

<sup>39</sup> See *United States Patent and Trademark Office, Report to Congress on Inter Partes Reexamination* (2004) (hereinafter referred to as "*Report on Inter Partes Reexamination*"), at 4.

<sup>40</sup> *Id.* at 5.

<sup>41</sup> *Id.*

<sup>42</sup> The scope of "patent and printed publication" prior art in the amended section 301 is intended to be coextensive with these terms in current section 102 of the title 35. Further, amendments made by Section 2 of the Act, which expand and contract the definition of certain other forms of prior art, are not intended to change the particular "patent or printed publication" prior art, which will continue to be the sole basis for initiating reexamination proceedings.

ceeding “inter partes review.” The Act also makes the following improvements to this proceeding:

- **“Reasonable likelihood of success” for instituting inter partes review.** The threshold for initiating an inter partes review is elevated from “significant new question of patentability”—a standard that currently allows 95% of all requests to be granted—to a standard requiring petitioners to present information showing that their challenge has a reasonable likelihood of success. Satisfaction of the new threshold will be assessed based on the information presented both in the petition for the proceeding and in the patent owner’s response to the petition.
- **“Reasonably could have raised” estoppel applied to subsequent administrative proceedings.** A party that uses inter partes review is estopped from raising in a subsequent PTO proceeding (such as an ex parte reexam or inter partes review) any issue that it raised or reasonably could have raised in the inter partes review.
- **Repeal of the 1999 limit.** The limit on challenging patents issued before 1999 in inter partes reexamination is eliminated; all patents can be challenged in inter partes review.
- **Preponderance burden.** Petitioners bear the burden of proving that a patent is invalid by a preponderance of the evidence in inter partes review.
- **Time limits during litigation.** Parties who want to use inter partes review during litigation are required to seek a proceeding within 12 months of being served with a complaint alleging infringement of the patent, and are barred from seeking or maintaining an inter partes review if they file an action for a declaratory judgment that the patent is invalid.
- **Discovery.** Parties may depose witnesses submitting affidavits or declarations and seek such discovery as the Patent Office determines is otherwise necessary in the interest of justice.
- **12- to 18-month deadline.** Inter partes review must be completed within 1 year of when the proceeding is instituted, except that the Office can extend this deadline by 6 months for good cause.
- **Oral hearing.** Each party has the right to request an oral hearing as part of an inter partes review.
- **Three-judge panels.** Inter partes reviews will be conducted before a panel of three APJs. Decisions will be appealed directly to the Federal Circuit.

The Act also creates a new post-grant opposition procedure that can be utilized during the first 12 months after the grant of a patent or issue of a reissue patent. Unlike reexamination proceedings, which provide only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282. The intent of the post-grant review process is to enable early

challenges to patents, while still protecting the rights of inventors and patent owners against new patent challenges unbounded in time and scope. The Committee believes that this new, early-stage process for challenging patent validity and its clear procedures for submission of art will make the patent system more efficient and improve the quality of patents and the patent system. This new, but time-limited, post-grant review procedure will provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court.

In utilizing the post-grant review process, petitioners, real parties in interest, and their privies are precluded from improperly mounting multiple challenges to a patent or initiating challenges after filing a civil action challenging the validity a claim in the patent. Further, a final decision in a post-grant review process will prevent the petitioner, a real party in interest, or its privy from challenging any patent claim on a ground that was raised in the post-grant review process. The post-grant review procedure is not intended, however, to inhibit patent owners from pursuing the various avenues of enforcement of their rights under a patent, and the amendment makes clear that the filing or institution of a post-grant review proceeding does not limit a patent owner from commencing such actions.

The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation. Further, such activity would divert resources from the research and development of inventions. As such, the Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority.

#### *Patent Trial and Appeal Board.*

The Act renames the Patent Board the “Patent Trial and Appeal Board” and sets forth its duties, which are expanded to include jurisdiction over the new post-grant review and derivation proceedings. This section strikes references to proceedings eliminated by the Act, including interference proceedings, and updates the various appeals statutes.

#### *Preissuance submissions by third parties*

After an application is published, members of the public—most likely, a competitor or someone else familiar with the patented invention’s field—may realize they have information relevant to a pending application. The relevant information may include prior art that would prohibit the pending application from issuing as a patent. Current USPTO rules permit the submission of such prior art by third parties only if it is in the form of a patent or publication,<sup>43</sup> but the submitter is precluded from explaining why the

<sup>43</sup> See 35 C.F.R. § 1.99.