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## The Patent Reexamination Reform Act of 1994: A New Era of The Third Party Participation

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# THE PATENT REEXAMINATION REFORM ACT OF 1994: A NEW ERA OF THIRD PARTY PARTICIPATION

## I. INTRODUCTION

On October 4, 1994, the United States Senate passed the Patent Reexamination Reform Act of 1994,<sup>1</sup> a bill proposed by Arizona Senator Dennis DeConcini.<sup>2</sup> The primary goal of the Act is to increase use of the reexamination process by third parties<sup>3</sup> who wish to challenge the validity of a patent, but who usually wait until they are sued for patent infringement to do so.<sup>4</sup> This encouragement comes in the form of increased participation in the proceedings,<sup>5</sup> allowing prior art to be submitted that is not limited solely to other patents or printed publications,<sup>6</sup> and giving third parties appeal rights equal to those of the patent holder.<sup>7</sup>

A brief yet thorough look at the current law in this area will show the need for changes. Third parties have no incentive to initiate reexamination proceedings at this time,<sup>8</sup> and without the alterations suggested by Senator DeConcini, it is doubtful reliance on the process will increase.

The Act will affect the patent system in three profound ways. First, the aforementioned incentive for third parties will develop,

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<sup>1</sup> 140 CONG. REC. S14,073-74 (daily ed. Oct. 4, 1994). The bill has yet to be considered by the full Congress, but it will likely receive attention from the new Congress. *Intellectual Property, 1995 Outlook: Efforts Continue to Set Rules Amidst Rapidly Changing Technology*, DAILY REP. FOR EXECUTIVES, Feb. 2, 1995, at C-22.

<sup>2</sup> Senator DeConcini is the former Chairman of the Subcommittee on Patents, Copyrights and Trademarks. He opted not to run in the 1994 elections, choosing instead to retire.

<sup>3</sup> "Third parties" is meant to designate any person, corporation, etc. who is neither the Commissioner of the Patent and Trademark Office nor the patent holder. See 140 CONG. REC. S10,141, 146 (daily ed. July 29, 1994) (statement of Sen. DeConcini) (stating proposed change in 35 U.S.C. § 100, the definition section of that title).

<sup>4</sup> Most companies are afraid to use the reexamination process because the prior art evidence needed for reexamination may lose its impact if rejected by the patent examiner, rendering it practically worthless in a later infringement action. Susan Orenstein, *Using the Power of Persuasion*, THE RECORDER, May 19, 1994, at 1.

<sup>5</sup> 140 CONG. REC. S10,141, 146 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> See *supra* note 4.

thus providing the encouragement needed to decrease the reliance upon the judicial system to determine patent validity. Second, it will bring the United States' patent system in closer harmony with the European and Japanese systems. Finally, patent holders will also benefit, both from the potential of a strengthened patent and a more efficient Patent and Trademark Office (PTO). In achieving these goals, the Patent Reexamination Reform Act of 1994 will help to preserve the integrity of the patent system.

## II. EXISTING LAW

Congress created the patent reexamination process in 1980<sup>9</sup> to "[strengthen] investor confidence in the certainty of patent rights."<sup>10</sup> Designed to promote efficiency and keep costs to a minimum,<sup>11</sup> the reexamination process is relatively straightforward. Any person at any time may submit to the PTO, in writing, prior art,<sup>12</sup> be it other patents or printed publications, which she believes to be relevant to the patentability of a claim.<sup>13</sup> If the explanation is plausible, the citation of the prior art will be included in the file of the patent.<sup>14</sup> The cited prior art will then be considered during the reexamination process.

A third party can also request an examination of a patent on the basis of prior art presented under the guidelines of § 302 at any time.<sup>15</sup> This appeal must also be in writing. Furthermore, a fee

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<sup>9</sup> Act to Amend the Patent and Trademark Laws, Pub. L. No. 96-517, ch. 30, 94 Stat. 3015 (1980), Prior Art Citations to Office and Reexamination of Patents, 35 U.S.C. §§ 301-07 (1983).

<sup>10</sup> H.R. REP. NO. 1307, 96th Cong., 2d Sess. 1 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6462.

<sup>11</sup> *Id.* at 6463.

<sup>12</sup> Prior art is generally considered to be the "mass of publicly available information" on the potential patent. ROBERT P. MERGES, *PATENT LAW AND POLICY, CASES AND MATERIALS* 11 (1992). To be patentable, an invention must be distinct from all prior art; it cannot have been proposed in full in a previous patent or prior publication. However, an inventor can piece together ideas available from prior art to create a new and patentable invention. See *generally id.*

<sup>13</sup> 35 U.S.C. § 301 (1988).

<sup>14</sup> *Id.*

<sup>15</sup> 35 U.S.C. § 302 (1988). Reexamination usually occurs when a third party believes an infringement action against it is imminent or has already occurred. MERGES, *supra* note 12, at 858.

is required, which at this time is \$2,250.<sup>16</sup> A copy of the request for reexamination must be sent to the patent holder if she did not make the request.<sup>17</sup>

After the Commissioner<sup>18</sup> is served with a request, he must decide within three months whether the request raises a "substantial new question of patentability."<sup>19</sup> Congress included this standard to dissuade frivolous patent challenges and to eliminate any reconsideration of prior art addressed in the initial examination.<sup>20</sup> Section 303 also gives the Commissioner the express power to commence a reexamination on his own initiative.<sup>21</sup> Although this has occurred in only one percent of all reexaminations requested.<sup>22</sup>

If there is doubt as to the legitimacy of a patent, the Commissioner will order a reexamination.<sup>23</sup> In the case of a third party initiated reexamination, the patent holder will receive a copy of the petition,<sup>24</sup> and he will have two months to reply to its contentions.<sup>25</sup> The reply is sent to the petitioner who may also reply within a two month period.<sup>26</sup> This marks the end of the permissible participation of a third party, because the process is *ex parte* in nature.<sup>27</sup>

<sup>16</sup> 37 C.F.R. § 1.20(c) (1994).

<sup>17</sup> 35 U.S.C. § 302 (1988).

<sup>18</sup> "Commissioner" refers to the Commissioner of the Patent and Trademark Office.

<sup>19</sup> 35 U.S.C. § 303 (1988). See e.g., *In re Etter*, 756 F.2d 852, 862-65, 225 U.S.P.Q. (BNA) 1 (Fed. Cir. 1985) (Nies, J., concurring), cert. denied, *Etter v. Commissioner of Patents and Trademarks*, 474 U.S. 828 (1985) (interpreting meaning of "substantial new question of patentability").

<sup>20</sup> H.R. REP. NO. 1307, *supra* note 10, at 7, reprinted in 1980 U.S.C.C.A.N. at 6466. See also *Kaufman Co. v. Lantech Inc.*, 807 F.2d 970, 976, 1 U.S.P.Q.2d (BNA) 1202 (Fed. Cir. 1986) (reiterating above proposition).

<sup>21</sup> 35 U.S.C. § 303 (1988).

<sup>22</sup> Walter A. Effross, *Software-Patent Policy: No Fakes, No Surprises*, N.J.L.J., July 25, 1994, at Supp. 17. Recently, PTO Commissioner Bruce Lehman moved to reexamine the '671 patent held by Compton's New Media, which had given that company almost complete control of the multimedia movement, and the '184 patent held by Norrali Pirani, which gave him exclusive right to "imbedding advertising in software." Victoria Slind-Flor, *Japan and U.S. Negotiating Patent Award Procedures*, NAT'L L.J., Aug. 8, 1994, at B1.

<sup>23</sup> 35 U.S.C. § 304 (1988).

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> 140 CONG. REC. S10,145 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

The reexamination is then conducted in the same manner as the initial examination;<sup>28</sup> the patent holder is allowed to amend his claim or present any new claim or claims so long as the above does not enlarge the scope of the originally examined claim.<sup>29</sup> Unlike an infringement suit, however, the patent holder cannot take advantage of the "presumption of validity" afforded to her by Congress in a trial;<sup>30</sup> the Federal Circuit has determined that such a right is inappropriate in the reexamination process, as no one has the burden of proof in that setting.<sup>31</sup>

If a patent holder is unhappy with the results of the reexamination, he may choose from several alternative appellate procedures.<sup>32</sup> However, third parties may not take advantage of these options under present reexamination law, and must accept the decision of the examiner. Furthermore, a patent which emerges from reexamination unscathed has an enhanced validity to a jury beyond what is presumed by law, putting third parties at a disadvantage.<sup>33</sup>

In addition to the new statutory provisions on reexamination, in 1982 Congress created a new court, the Court of Appeals of the Federal Circuit, and granted it exclusive appellate jurisdiction over patent litigation.<sup>34</sup> A major goal in creating the new court was to try and end the "legal confusion" surrounding patents and to instill confidence in investors.<sup>35</sup>

<sup>28</sup> 35 U.S.C. § 305 (1988).

<sup>29</sup> *Id.*

<sup>30</sup> 35 U.S.C. § 282 (1988).

<sup>31</sup> *In re Etter*, 756 F.2d 852, 855-58 (Fed. Cir. 1985).

<sup>32</sup> 35 U.S.C. § 306 (1988). These alternatives include: appeal to the Board of Appeals under 35 U.S.C. § 134, and either an appeal to the Court of Appeals for the Federal Circuit under 35 U.S.C. § 141 or the right to bring suit against the Commission in U.S. District Court for the District of Columbia under 35 U.S.C. § 145.

<sup>33</sup> 140 CONG. REC. S10,145-46 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

<sup>34</sup> Congress voted in March of 1982 to create the Court of Appeals of the Federal Circuit. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 126, 96 Stat. 25, 37-39 (1982) (codified as amended as 28 U.S.C. § 1295 (1993 & Supp. 1994)). "It [was] hoped that the new court [would] provide greater uniformity in patent decision-making." Tim Pryor, *Courts Brought into Patent Reexamination Process*, LEGAL TIMES, March 29, 1982, at 8.

<sup>35</sup> H.R. REP. NO. 1307, *supra* note 10, at 3, reprinted in 1980 U.S.C.C.A.N. at 6462. See also Gerald S. Geren, *Is the U.S. Patent System Strengthening?*, INDUS. RES., Oct. 1983, at 31 ("It would appear that the consolidation of all appeals into a single court should increase the uniformity in the patent law and enhance the predictability of patent litigation.").

The creators of the reexamination process had great hopes of success. By resolving validity questions in a relatively quick manner in the privacy of the PTO, expenses would be reduced and patent legitimacy would become more certain; Congress anticipated this resulting surety would stimulate "industrial innovation."<sup>36</sup> The increased efficiency in the PTO and the lowered costs for the user versus litigation were expected to have a great impact on patent holders and those questioning the validity of the patent.<sup>37</sup> More importantly, the reexamination procedure was expected to quiet the blackmailing of small patent holders into dropping infringement suits or allowing licensing at a fraction of its worth.<sup>38</sup> Unfortunately, these goals never came to fruition.<sup>39</sup>

Because of the simplicity of the reexamination process, there has been very little case law challenging its requirements and restrictions. There has been some activity concerning the question of third party appeals, but the courts have consistently upheld the decision of Congress not to allow third parties that option.<sup>40</sup>

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<sup>36</sup> H.R. REP. NO. 1307, 96th Cong., 2d Sess. 3-4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6462-63.

<sup>37</sup> *Id.*

<sup>38</sup> At the time of the bill's enactment, costs of litigating an infringement suit could cost \$250,000; the House report stated that this cost was being used as a weapon by patent infringers to gain an advantage over small or underfunded patent holders. *Id.* at 4.

<sup>39</sup> It was known as early as 1982 that the process was not meeting expectations. "Said Michael Bloomer, then executive director of the APLA, 'there is obviously something wrong with the current system,' because the number of petitions [for reexamination] filed number only in the hundreds, when expectations were in the thousands." 1982 *Termed "Successful" Year for Patent and Trademark Office*, DAILY REP. FOR EXECUTIVES, Oct. 22, 1982, at A-8.

<sup>40</sup> See, e.g., *Syntex (U.S.A.) Inc. v. United States Patent & Trademark Office*, 882 F.2d 1570, 11 U.S.P.Q.2d (BNA) 1866 (Fed. Cir. 1989) (holding third party is not permitted to appeal reexamination decision although it was improperly conducted); *Yuasa Battery Co. v. Quigg*, 3 U.S.P.Q.2d (BNA) 1143 (D.C. Cir. 1987) (holding third party may not oppose grant of reexamination certificate, nor appeal for judicial review of reexamination decision); *In re Etter*, 756 F.2d 852 (Fed. Cir. 1985) (holding third parties not permitted to participate in reexaminations called by patent holder or Commissioner); see also *Boeing v. Comm'r of Patents & Trademarks*, 853 F.2d 878, 7 U.S.P.Q.2d (BNA) 1487 (Fed. Cir. 1988) (holding petitioner did not have standing to appeal district court's decision to remand pending conclusion of reexamination).

## III. THE AMENDMENTS

The Act is intended to solve many of the problems which hindered the reexamination's success;<sup>41</sup> it is expected both to increase confidence in the patent system as well as erase current drawbacks involved in using the process, thereby encouraging interested parties to address their differences in the PTO rather than the courtroom.<sup>42</sup>

The first step toward a new reexamination program occurred in 1992 when the PTO's Patent Advisory Commission released a report suggesting various changes needed to refurbish the patent system.<sup>43</sup> The aim of the PTO was to bring the system into compliance with the standards of other nations,<sup>44</sup> and one necessary move in order to achieve that goal was to dramatically change reexamination procedures.<sup>45</sup> The proposals enumerated in the above report are essentially those found in Senator DeConcini's bill.

The amendments have been greeted with widespread approval. Commissioner Lehman<sup>46</sup> spoke before the Senate Subcommittee on Patents, Copyrights and Trademarks in August, and he presented the resounding support of the Clinton Administration and the PTO.<sup>47</sup> He believes the Act would provide the essential reforms needed to rejuvenate the system and encourage its use.<sup>48</sup>

The American Intellectual Property Law Association (AIPLA) has also given its support for the Act. Gary Griswold, a member of the board of directors of the AIPLA, appeared at the Senate Subcom-

<sup>41</sup> 140 CONG. REC. S10,145 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

<sup>42</sup> *Id.*

<sup>43</sup> *Patent Advisory Committee Urges Fundamental Patent Law Reforms*, DAILY REP. FOR EXECUTIVES, Sept. 15, 1992, at 179.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> Bruce Lehman was appointed to the position in 1994 by President Clinton, and the move was met with some concern, as his specialty in private practice had been copyright law, and he had very little experience in the patent area. *Intellectual Property, 1995 Outlook: Efforts Continue to Set Rules Amidst Rapidly Changing Technology*, DAILY REP. FOR EXECUTIVES, Feb. 2, 1995, at C-22. However, he appears to be oblivious to any concerns of others, and has taken charge quickly. See *supra* note 22.

<sup>47</sup> *Hearings on S.2272 and 2341 Before the Subcomm. on Patents, Copyright and Trademarks of the Senate Comm. on the Judiciary*, 104th Cong., 2d Sess. (1994) (statement of Bruce Lehman, Commissioner of Patents and Trademarks) [hereinafter *Hearings*].

<sup>48</sup> *Id.*

mittee in August as well, and called it a "workable and fair compromise."<sup>49</sup> Other various trade groups have indicated approval of any changes that would allow greater participation by third parties in the reexamination process.<sup>50</sup>

There are five major changes presented in the Act. First, § 302 would be expanded to allow citations other than patents and printed publications to be submitted in a reexamination request.<sup>51</sup> A third party could now protest the patent's award by attacking it on § 112 grounds; the patentee's own disclosure in her specification would now be vulnerable to attack as being inadequate.<sup>52</sup>

Second, the Commissioner would be able to use the expanded prior art base and the § 112 challenges to determine whether the required "substantial new question of patentability" exists.<sup>53</sup>

Third, upon the order for reexamination, all parties would be equally involved in the proceedings.<sup>54</sup> All documents filed with the PTO would have to be served to the other party, and each would have the right to reply to any contentions, amendments, or new claims presented by the other side.<sup>55</sup> A third party's reply to the patent holder's response to the action would be limited to the scope of the response or the PTO's action.<sup>56</sup>

Fourth, and perhaps most important, the third party petitioner would now have the right to appeal the reexamination decision to

<sup>49</sup> *Id.* (statement of Gary L. Griswold, Member, Board of Directors, American Intellectual Property Association). The Act contains two key provisions of interest to the AIPLA: the increased participation of third parties, and the collateral estoppel allowance. *Legislation: Senate Panel Considers Bills on Prior User Rights and Reexaminations*, 48 PAT. TRADEMARK & COPYRIGHT J. 374, 376 (1994).

<sup>50</sup> These groups are Intellectual Property Owners (IPO), National Association of Manufacturers (NAM), the Business Software Alliance, and the Software Publishers Association. 140 CONG. REC. S10,145, 146 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

<sup>51</sup> *Id.* at S10,146.

<sup>52</sup> *Id.* The requirements of 35 U.S.C. § 112 can be generally stated in four categories: "(1) Enablement; (2) written description; (3) definiteness of claims; and (4) best mode." MERGES, *supra* note 12, at 515. The Act specifically excludes best mode from use by third parties in the reexamination, but the changes will allow them to use almost every other available statutory provision with which to challenge the patent. 140 CONG. REC. S10,146 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

<sup>53</sup> *Id.* This would be an amendment of § 303.

<sup>54</sup> *Id.* Section 304 would be amended in this manner.

<sup>55</sup> *Id.* This is § 305.

<sup>56</sup> *Id.*



the Board of Appeals and the Court of Appeals for the Federal Circuit.<sup>57</sup> However, the party would be precluded from raising on appeal any grounds of invalidity which could have been proposed during the reexamination.<sup>58</sup> Also, a third party who loses on appeal could not argue in any future proceedings those challenges already heard by the PTO.<sup>59</sup> A third party could participate in an appeal brought by the patent holder if he filed such an intent with the Commissioner.<sup>60</sup>

Finally, the Act would add a new section to the patent code, entitled "Reexamination Prohibited."<sup>61</sup> It would state that before another reexamination can be brought, the previous request must be finalized.<sup>62</sup> Also, if a party was found not to have sustained his burden in regard to the validity of a patent in a civil action under § 1338 of Title 28 of the United States Code,<sup>63</sup> he could not request reexamination of issues which had been raised or could have been raised during the process.<sup>64</sup>

<sup>57</sup> 140 CONG. REC. S10,146-47 (daily ed. July 29, 1994) (statement of Sen. DeConcini). Section 306 discusses appeals.

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* at S10,147. This would become Section 308.

<sup>62</sup> 140 CONG. REC. S10,145, 147 (daily ed. July 29, 1994) (statement of Sen. DeConcini). Section 307 discusses the various dispositions a patent application may take. The Commissioner can either cancel the application, certify its validity, or incorporate any amendments or new claims into the existing application. 35 U.S.C. § 307 (1988).

<sup>63</sup> 28 U.S.C. § 1338 states:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.

28 U.S.C. § 1338 (1988).

<sup>64</sup> 140 CONG. REC. S10,145, 147 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

## IV. ANALYSIS

This Act will bring much needed changes to the reexamination system. There are three main reasons Congress should pass the Patent Reexamination Reform Act of 1994: increased third party usage; a patent system more homogeneous to the European and Japanese systems; and security for patent holders whose claims survive the heightened scrutiny.

First, the rights added for third parties will encourage more challengers to use reexamination instead of litigation. The Act allows a more *inter parte* proceeding than does the present system.<sup>65</sup> With the provisions now in place, third parties have no incentive to present their prior art to the PTO examiner, as they have no recourse in the proceeding beyond responding to the patent holder's answer to the petition, if she does in fact choose to file one.<sup>66</sup>

With the Patent Reexamination Reform Act, third parties can reply to any argument the patent holder or the examiner presents during the course of the proceedings, and while new challenges cannot be initiated by the third party after commencement of the proceedings, he can still participate throughout the entire process.<sup>67</sup> This change would be widely welcomed by patent attorneys and their clients, and from their comments to the media, it is apparent the PTO would be conducting more reexaminations with the amendments in place.<sup>68</sup>

There are those in the patent area who are concerned that allowing third parties to participate more fully in a reexamination

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<sup>65</sup> *Id.* at S10,145.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> Says Warren Wolfeld, an attorney who specializes in software patents, "Right now, if my client is accused of infringing a patent, nearly 100 percent of the time I would say, 'Don't file a reexamination.' But if this law is put into place, maybe 50 percent of the time I'll say file an examination." Susan Orenstein, *Challenging Patents: Bill Aims to Provide for Better Scrutiny*, THE RECORDER, Aug. 23, 1994, at 1. Commissioner Lehman, during his speech to the Senate Subcommittee on Patents, Copyrights and Trademarks, also commented on the fact that even if a third party had prior art which could invalidate a patent, he would save it for litigation mainly because of the lack of participation rights afforded to the challenger during the procedure. *Hearings*, *supra* note 47.

will cause further backup in the PTO.<sup>69</sup> While it is true that the process will most likely take longer than before, it is still more economical to use reexamination to challenge a patent rather than waiting to be sued.<sup>70</sup> Litigation is very expensive, and third parties would benefit in the long run by an early determination of their rights regarding a patent, rather than continuing to invest time and money into a product which might be found to infringe that patent. Furthermore, the PTO is the most efficient forum in which to hear third party concerns; the examiner who will determine patentability will have the technical background necessary to understand the facts of the inquiry, unlike a judge or jury who have had little or no exposure to patent law or the technology at issue.<sup>71</sup>

Also, not limiting third parties to submitting only prior publications and patents will surely provide an incentive to use reexamination. Armed with the ability to challenge the patent specification and to present prior art that cannot now be considered, challengers will take advantage of the significant bargain of reexamination versus a lawsuit. In addition to the above, the supplementary information that would be available to the PTO will decrease the amount of patents erroneously granted,<sup>72</sup> as third parties will conduct an exhaustive search of available material in order to protect their interests.

A recent embarrassment to the PTO provides a telling example of the effect the above amendment could have. In 1993, the PTO awarded Compton's New Media a patent<sup>73</sup> for its multimedia<sup>74</sup>

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<sup>69</sup> In 1994, the average reexamination lasted 18.4 months, according to the PTO. Orenstein, *supra* note 68. Gerald Hosier, a solo practitioner, already believes the process is drawn out enough and will wait to see how the PTO implements the changes. *Id.*

<sup>70</sup> *Hearings, supra* note 47; 140 CONG. REC. S10,145 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

<sup>71</sup> MERGES, *supra* note 12, at 862. However, there is one drawback for a third party who uses reexamination. While he will get a knowledgeable examiner, the examiner for the reexamination will also be the same person who originally granted the patent. *Id.* at 860. While there is no presumption of validity for a patent in the proceeding by law, the examiner will most likely believe his first decision was correct.

<sup>72</sup> 140 CONG. REC. at S10,145 (daily ed. July 29, 1994) (statement of Sen. DeConcini).

<sup>73</sup> Patent number 5,241,671 was granted to Compton's for a "Multimedia Search System Using A Plurality of Entry Path Means Which Indicate Inter-relatedness of Information." Effross, *supra* note 22.

database idea. The uproar following the announcement was unprecedented, and the Commissioner ordered a reexamination.<sup>75</sup> Most third parties in the industry were forced to stand by and watch because most of the technology which had been patented by Compton's was common knowledge that had never been patented or published, so it could not be grounds for a reexamination.<sup>76</sup> Those who did have usable prior art chose to hold it for what they believed to be imminent litigation; if it was presented to the PTO and rejected, it would be virtually worthless in the courtroom.<sup>77</sup> With the new amendments in place, a third party will be more likely to use reexamination to challenge a patent because the problems highlighted in the Compton's case would be greatly reduced.<sup>78</sup>

Finally, the Act increases the utility of reexamination for third parties by providing them appeal rights. With the current law, a challenger has no incentive to present his case to the examiner without any recourse; he is better off saving the prior art he has for trial, thereby not subjecting it to a PTO attack. The Act grants third parties privileges similar to those now held by patent holders.<sup>79</sup>

One of the greatest advantages to using the reexamination system is that a third party can attack the validity of a patent without having to rebut both the presumption of validity and clearing the burden of proof hurdle, which in an infringement suit is clear and convincing evidence.<sup>80</sup> With the ability to actively participate in the proceedings, challenge patent validity with

<sup>74</sup> "Multimedia, one of today's high-tech buzzwords, can generally be thought of as the mixture of text, sound and video images in an interactive environment." Craig W. Harding & Scott M. Alter, *Multimedia: Beyond the Buzzword to the Protection Issues*, CORP. LEGAL TIMES, July 1994, at 28.

<sup>75</sup> Effross, *supra* note 22 and accompanying text.

<sup>76</sup> See William G. Conger, Comment, *Patent Reexamination Reexamined*, 1986 DET. C.L. REV. 523, 530-31 (discussing substantive changes in patent system and potential harm from reexamination statute).

<sup>77</sup> *Compton's Fight—Patent Office Reverse on Prior Art 02/11/94*, NEWSBYTES NEWS NETWORK, Feb. 11, 1994.

<sup>78</sup> The PTO eventually rejected all of Compton's claims because of their obviousness under 35 U.S.C. § 103. However, Compton's has the right to appeal the decision or further amend its petition. Effross, *supra* note 22 and accompanying text.

<sup>79</sup> *Supra* note 32 and accompanying text.

<sup>80</sup> *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

ammunition beyond printed publications and patents, and appeal any adverse decision, it would be to a third party's detriment not to use reexamination.

In addition to the benefits created from third party involvement, international pressures require that the United States implement these changes, given the increasing interdependency of superpower nations.

Japan and most European countries employ the opposition proceeding in granting patent rights, which is an *inter parte* process.<sup>81</sup> Opposition allow participation from inventors in the form of testimony and expert testimony as well as third party participation.<sup>82</sup> The European systems also allow opposition hearings on the various grounds presented in the Act.<sup>83</sup> The United States plan will not go as far as full *inter parte* proceedings, which may serve it well in the long run because there are drawbacks to such systems.<sup>84</sup>

Current agreements between the United States and other nations require the reexamination reforms. First, the United States is one of the many parties to the General Agreement on Tariffs and Trade (GATT), which requires implementation of certain intellectual property provisions.<sup>85</sup> Also, the United States recently signed an agreement with Japan in which it promised to allow greater third party participation in reexaminations.<sup>86</sup> Reforming the reexamination process is just one step of many being implemented to bring the United States system into compliance with the rest of the global patent community. Other alterations include changing the period of exclusivity of a patent from 17 years from the date of issue to 20 years from the date of filing<sup>87</sup> and publishing patent

<sup>81</sup> MERGES, *supra* note 12, at 861.

<sup>82</sup> *Id.*

<sup>83</sup> *Id.* at 862.

<sup>84</sup> The greatest disadvantage is the ability of the petitioner to delay the proceedings in order to harass the patent holder. *Id.* at 363.

<sup>85</sup> Legislation: TRIPs Implementation Bills Spark Controversy at Joint Hearing, 48 PAT., TRADEMARK & COPYRIGHT J. 414 (1994).

<sup>86</sup> Treaties: U.S.-Japan Conclude Agreement On Reexamination and Publication, 48 PAT., TRADEMARK & COPYRIGHT J. 412 (1994).

<sup>87</sup> This provision was the source of some controversy during a congressional hearing on the measure. Many are concerned that this could actually shorten the period of exclusivity rather than lengthen it, depending upon how long the PTO examines the application. *Supra*

applications 18 months after their submission.<sup>88</sup> The above alterations will work in concert with the new reexamination system in complying with foreign standards.<sup>89</sup>

Finally, patent holders will also benefit from the reexamination reforms. While the third party would now be allowed to appeal an adverse decision, once that party has been denied relief by the Court of Appeals for the Federal Circuit, he can no longer use that issue to fight the patent's validity in an infringement suit.<sup>90</sup> The third party will also be estopped from challenging a patent found valid on appeal on the basis of any issue which was or could have been brought during the initial reexamination.<sup>91</sup> Multiple reexamination requests will also be prohibited, and one who loses in an invalidity suit brought under § 1338 of Title 28<sup>92</sup> will not be allowed to file for a reexamination. These provisions serve to protect the patent holder from harassment by third parties.

By allowing third parties to present prior art that is not limited to prior publications and patents, the PTO is more likely to be confronted with all available information relevant to that patent. A more voluminous library created by the additional prior art will allow the examiner to make his decision with all the relevant facts. The patent holder gains by having a more informed examiner, because with potentially damaging material brought to the reexamination table, the patent holder can address the contentions directly in the privacy of the PTO office. The patent holder can

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note 85.

<sup>88</sup> This move is intended to hinder the phenomenon known as "submarine patents." Patent holders attempt to gain an advantage over others in their industry by prolonging the examination process, waiting until an opportune moment to sue them for royalties. Laurent Belsie, *US, Japan Laws move Closer, Easing Filing Challenges*, CHRISTIAN SCI. MONITOR, August 18, 1994, at 8. However, while the proposed amendment may prevent such abuse, other potential patentees may choose not to apply, fearing they might not receive protection. If that occurs, then they have published their inventions without reward, as they receive no patent and their inventions are now public knowledge. *Id.*

<sup>89</sup> The United States is not the only country making concessions. For example, Japan will revise its opposition system by no longer allowing third parties to contest a patent application prior to its being granted, by creating an accelerated examination procedure, which will allow a patentee to receive a patent within 36 months. *Patents, Japan, U.S. Move Closer to Goal; Begin Harmonizing Patent Systems*, DAILY REP. FOR EXECUTIVES, Sept. 8, 1994, at 172.

<sup>90</sup> 140 CONG. REC. S10,146 (daily ed. July 29, 1994).

<sup>91</sup> *Id.* at S10,147 (text of S.2341 Patent Reexamination Reform Act of 1994 as introduced).

<sup>92</sup> *Supra* note 63.

also amend his claims during a reexamination, an option not available in a trial.<sup>93</sup>

Giving third parties more rights adds legitimacy to patents which survive reexamination.<sup>94</sup> At trial, a patent is presumed valid and a third party must show by the standard of clear and convincing evidence that the patent was wrongly approved.<sup>95</sup> This can be quite a hurdle to overcome. However, with the increased scrutiny of the reexamination because of the participation of third parties and the broadened scope of information from which to determine validity, a patent which emerges untouched deserves such protection from frivolous lawsuits.

## V. CONCLUSION

The Patent Reexamination Reform Act of 1994 is a concise and simple way to provide third parties the right to participate more fully in reexaminations, the freedom to appeal decisions adverse to their contentions, the privilege to challenge the patent's claims on their face and the ability to present the result of an exhaustive search on all relevant prior art so that any party asserting the validity of her patent will be thoroughly tested.

It is in the best interests of the parties involved in particular and the public in general to be able to rely on the validity of patents. The reexamination process is a relatively inexpensive and efficient way to test a patent, and while the patent holder may not rely on the clear and convincing standard to protect his interests outside of court, once the patent emerges from reexamination unscathed, its validity will be completely affirmed. Also, society will respect what a patent represents if the approval system was less one-sided and more democratic. Finally, the United States' move to reform its process serves to benefit it as other countries also change their systems in order to move toward global consistency and equality.

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<sup>93</sup> The reexamination proceeding is conducted in the same manner as the original examination, meaning that the patent holder can amend his claim or even add new claims "in order to distinguish the invention as claimed from the prior art cited." 35 U.S.C. § 305 (1988).

<sup>94</sup> 140 CONG. REC. S10,146 (daily ed. July 29, 1994).

<sup>95</sup> *McNeil-PPC, Inc. v. Proctor & Gamble*, 767 F. Supp. 1081, 1083 (D. Colo. 1991).

The Act can only help in improving the efficiency of the patent process.

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