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Gregory Dolin

University of Baltimore School of Law, 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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* Associate Professor of Law, University of Baltimore School of Law; Adjunct Associate Professor of Emergency Medicine, Johns Hopkins University School of Medicine. B.A., Johns Hopkins University, M.D., Stony Brook University, J.D., Georgetown University Law Center. This Article was supported by a Thomas Edison Innovation Fellowship of the George Mason University School of Law. I would like to thank the participants in the Edison Fellowship program for their comments and support. They include Adam Mossoff, Mark Schultz, John F. Duffy, Chris Beauchamp, Christopher Holman, Gus Hurwitz, Ryan Holte, Camilla Hrdy, Sean O’Connor, Eric Claeys, Sean O’Connor, Michael Risch, Shine Tu, Kristen Osenga, and Stephen Yelderman. I also wish to thank Irina Manta, William Hubbard, Natalie Ram, David Jaros, Jonas Anderson, Josh Sarnoff, Christopher Seaman, W. Nicholson Price, Mark McKenna, David Olson, and John Whealan for their comments on various drafts. Finally, I must thank Robert Greene Sterne, Matthew Cutler, Sandip Patel, Raymond Mercado, and Larry Lockwood for their insights on how the America Invents Act has affected inventors and litigants.

¹ See *infra* notes 29–119 and accompanying text (exploring complaints of the patent system and subsequent reform efforts).

² Pub. L. No. 112-29, 125 Stat. 284 (codified in scattered Sections of 28 and 35 U.S.C. (2012)).

³ 157 CONG. REC. S7413 (daily ed. Nov. 14, 2011) (statement of Sen. Kyl) (reading into the Record a letter from Lamar Smith, Chairman of the House Judiciary Committee).

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.”⁴ 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 disproportionately 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.⁵ 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.⁶ As in any other legal setting, however, additional procedures generally involve an increase in costs.⁷ 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.⁸ 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.⁹

⁴ See Sarah Tran, *Policy Tailors and the Patent Office*, 46 U.C. DAVIS L. REV. 487, 498–99 (2012).

⁵ See *Patent Policy: Hearings on H.R. 4564 Before the Subcomm. on Courts, Civil Liberties & the Admin. of Justice of the Comm. on the Judiciary*, 97th Cong., 2d Sess. 44 (1982) (statement of Gerald J. Mossinghoff, Commissioner of Patents and Trademarks); 126 CONG. REC. 29,895 (1980) (statement of Rep. Kastenmeier).

⁶ See Giles S. Rich, *Forward—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.”).

⁷ See Richard A. Posner, *An Economic Approach to Legal Procedure and Judicial Administration*, 2 J. LEGAL STUD. 399, 401 (1973).

⁸ See Robert G. Bone, *Procedure, Participation, Rights*, 90 B.U. L. REV. 1011, 1017 (2010); Posner, *supra* note 7, at 401; Bernard Schwartz, *Some Crucial Issues in Administrative Law*, 28 TULSA L.J. 793, 800–01 (1993).

⁹ See, e.g., H.R. REP. NO. 96-1307, pt. 1, at 3 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463; REP. OF THE PRESIDENT’S COMM’N ON THE PATENT SYS., S. DOC. NO. 90-5, at iii (1st Sess.

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,¹⁰ 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.¹¹ 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.¹²

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,¹³ matters a great deal. The easier it is to invoke such procedures, the higher the chance that they will be invoked abusively.¹⁴ 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* reexamina-

1967); Peter S. Menell, *A Method for Reforming the Patent System*, 13 MICH. TELECOMM. & TECH. L. REV. 487, 501 (2007).

¹⁰ See James H. Lightfoot, *A Proposed Department of Invention and Discovery*, 1 J. PAT. OFF. SOC'Y 116, 127 (1919) (providing the earliest proposal for a post-issuance review mechanism).

¹¹ See *infra* notes 120–186 and accompanying text (discussing the problems of the pre-America Invents Act reforms).

¹² See Judith Resnik, *Precluding Appeals*, 70 CORNELL L. REV. 603, 613 (1985) ("The potential for misuse of procedure exists at all times and in all procedural models."). See generally Timothy G. Pepper, Comment, *Beyond Inherent Powers: A Constitutional Basis for In re Tutu Wells Contamination Litigation*, 59 OHIO ST. L.J. 1777 (1998) (observing that an increase in pretrial procedures has led to delay and abuses).

¹³ For a description of various opposition procedures around the world that long preceded the adoption of such procedures in the United States, see various essays published in 4 APLA Q.J. 93 (1976).

¹⁴ See Resnik, *supra* note 12, at 613. See generally Pepper, *supra* note 12.

tion.¹⁵ 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.¹⁶ 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.¹⁷ 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.¹⁸

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.¹⁹ As before, these new procedures were advocated as significant improvements over the then-existing system.²⁰ They were intended to reduce litigation costs, increase certainty in patent rights, and “weed out” “low quality” patents.²¹ 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-

¹⁵ See Act of December 12, 1980 (Bayh-Dole Act), Pub. L. No. 96-517, ch. 30, § 302, 94 Stat. 3015, 3015 (codified at 35 U.S.C. § 302 (2012)).

¹⁶ 35 U.S.C. § 301.

¹⁷ See generally Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 COLUM. SCI. & TECH. L. REV. 93 (2011) (discussing abuses in the patent reexamination process).

¹⁸ See Robert Harkins, *How the Leahy-Smith America Invents Act (AIA) Is Changing Patent Protection and Litigation*, ASPATORE (Jan. 2013), 2013 WL 571334, at *5.

¹⁹ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 28 and 35 U.S.C.); *infra* notes 187–292 and accompanying text.

²⁰ See H.R. REP. NO. 112-98, pt. 1, at 38–40 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 68–70; William Hubbard, *Competitive Patent Law*, 65 FLA. L. REV. 341, 346 (2013).

²¹ See H.R. REP. NO. 112-98, pt. 1, at 38–40; Paul R. Gugliuzza, *IP Injury and the Institutions of Patent Law*, 98 IOWA L. REV. 747, 748–49 (2013) (reviewing CHRISTINA BOHANNAN & HERBERT HOVENKAMP, *CREATION WITHOUT RESTRAINT: PROMOTING LIBERTY AND RIVALRY IN INNOVATION* (2012)).

cle's claim is much narrower. The claim here is that by focusing disproportionately 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 significant and that oftentimes the effect of the AIA is diametrically contrary to what was promised and intended by its drafters. With this information available, 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 associated with that process.²⁴ Part III then mirrors the preceding part in its structure, 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.²⁹ Section B explains the arguments for patent reexamination procedures.³⁰ Finally, Section C examines the criticism that *ex parte* reexaminations favor patentees.³¹

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).³² 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.³³ 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.

³² See, e.g., H.R. REP. NO. 112-98, pt. 1, at 54, *reprinted in* 2011 U.S.C.C.A.N. 67, 84 (noting that “[a] number of patent observers believe the issuance of poor business method patents during the late 1990’s through the early 2000’s led to the patent ‘troll’ lawsuits”); Megan M. La Belle & Heidi Mandanis Schooner, *Big Banks and Business Method Patents*, 16 U. PA. J. BUS. L. 431, 449–50 (2014) (noting the drastic rise in the number of business method patents issued by the PTO); Susan J. Marsnik & Robert E. Thomas, *Drawing a Line in the Patent Subject-Matter Sands: Does Europe Provide a Solution to the Software and Business Method Patent Problem?*, 34 B.C. INT’L & COMP. L. REV. 227, 239 (2011) (arguing that “the United States Patent and Trademark Office (USPTO) often approves claims consisting of little more than a rudimentary flow chart”); David S. Olson, *Taking the Utilitarian Basis for Patent Law Seriously: The Case for Restricting Patentable Subject Matter*, 82 TEMP. L. REV. 181, 215–17 (2009) (arguing that courts have abandoned the gatekeeping function on patentable subject matter causing significant inefficiencies); John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. ILL. L. REV. 305, 316 (noting “the dramatic expansion of patentable subject matter and the diminution of the utility requirement”).

³³ See, e.g., WENDY H. SCHACHT & JOHN R. THOMAS, CONG. RESEARCH SERV., RL32996, PATENT REFORM: INNOVATION ISSUES 6–7 (2005), *available at* <http://patentlaw.typepad.com/patent/RL32996.pdf>, *archived at* <http://perma.cc/4DCM-UFB6> (arguing that low patent quality has negative effects on innovation and economy); 153 CONG. REC. E775 (statement of Rep. Berman) (“Litigation abuses, especially ones committed by those which thrive on low quality patents, impede the promotion of the progress of science and the useful arts.”); U.S. DEP’T OF COMMERCE, PATENT REFORM: UNLEASHING INNOVATION, PROMOTING ECONOMIC GROWTH & PRODUCING HIGH-PAYING JOBS 5 (2010), *available at* http://2010-2014.commerce.gov/sites/default/files/documents/migrated/Patent_Reform-paper.pdf, *archived at* <http://perma.cc/7K6S-8CRF>; Kevin R. Davidson, Note, *Retooling Patents: Current Problems, Proposed Solutions, and Economic Implications for Patent Reform*, 8 HOUS. BUS. & TAX L.J. 425, 442 (2008) (“[E]xcessive numbers of low-quality patents can prevent healthy rates of innovation.”).

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 pretence 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 an exhibition of the great seal.³⁷

³⁴ See Carl Shapiro, *Patent Reform: Aligning Reward and Contribution*, in 8 INNOVATION POLICY AND THE ECONOMY 111 (Adam B. Jaffe et al. eds., 2007), available at <http://www.nber.org/chapters/c5303.pdf>, archived at <http://perma.cc/C2MY-7YQV> (“While there is no doubt that the U.S. economy remains highly innovative, and there is no doubt that the patent system taken as a whole plays an important role in spurring innovation, the general consensus is that the U.S. patent system is out of balance and can be substantially improved.”); Bruce A. Kaser, *Patent Application Recycling: How Continuations Impact Patent Quality & What the USPTO Is Doing About It*, 88 J. PAT. & TRADEMARK OFF. SOC’Y 426, 426 (2006) (arguing that a “complex set of factors . . . have converged to create a perfect storm that is driving the patent system out of balance and giving rise to the need for patent reform”); Letter from the Coalition for Patent Fairness to Sens. Harry Reid & Mitch McConnell (Jan. 22, 2008), available at <http://www.ip-watch.org/files/CPF%20January%20Letter%20vF.pdf>, archived at <http://perma.cc/492S-LSBB> (arguing that the patent reform “will stimulate American innovation, growth and competitiveness by restoring balance to our patent system”).

³⁵ Edward C. Walterscheid, *Patents and Manufacturing in the Early Republic*, 80 J. PAT. & TRADEMARK OFF. SOC’Y 855, 888 (1998) (quoting Letter from William Thornton, Superintendent, U.S. Pat. Office, to Amos Eaton (May 5, 1809)).

³⁶ See Edward C. Walterscheid, *The Winged Gudgeon—An Early Patent Controversy*, 79 J. PAT. & TRADEMARK OFF. SOC’Y 533, 533 (1997).

³⁷ *Thompson v. Haight*, 23 F. Cas. 1040, 1041 (S.D.N.Y. 1826).

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.”³⁸

Predictably, these complaints of “useless” patents and “onerous” litigation were accompanied by calls for reform.³⁹ 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.⁴⁰

The change in the patent granting system, however, did not eliminate the prevailing complaints about the abundance of “useless [patents].”⁴¹ This is not surprising, given that the number of patent applications and issued patents dramatically increased following passage of the Patent Act of 1836.⁴² In fact, “[t]he number of patents issued per year grew at unprecedented—and, to this day, unmatched—rates in the mid-nineteenth century.”⁴³ This rise in number of granted patents brought with it the rise of outrage at the number of granted patents.⁴⁴ 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.⁴⁵

³⁸ Sen. John Ruggles, S. REP. Accompanying Bill No. 239, 24th Cong., 1st Sess. (Apr. 28, 1836), available at http://ipmall.info/hosted_resources/lipa/patents/Senate_Report_for_Bill_No_293.pdf, archived at <http://perma.cc/HX7S-33GK>.

³⁹ See John F. Duffy, *The FCC and the Patent System: Progressive Ideals, Jacksonian Realism, and the Technology of Regulation*, 71 U. COLO. L. REV. 1071, 1126–29 (2000) (highlighting general dissatisfaction with the pre-1836 patent system and calls for reform).

⁴⁰ Patent Act of 1836, ch. 357, § 7, 5 Stat. 117, 119 (repealed 1870).

⁴¹ See *Thompson*, 23 F. Cas., at 1041; Walterscheid, *supra* note 35, at 888.

⁴² John M. Golden, “Patent Trolls” and Patent Remedies, 85 TEX. L. REV. 2111, 2119 & n.35 (2007) (collecting data regarding the increasing rate of patent application and issuance).

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.⁴⁶ Prominent newspapers referred to the Patent Office as a “shaving shop, a flunkey’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.”⁴⁷

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.”⁴⁸ Changes to the laws also limited the practice of applying for reissue patents that were broader than the original grant.⁴⁹ 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.⁵⁰ Congress continued to periodically tinker with the Patent Office procedures, but did not undertake another major revision of the patent laws until 1952.⁵¹

The 1952 Patent Act was also preceded by much debate about the failures in the patent system,⁵² and was enacted in part to “improve patent quality” and curb excessive litigation.⁵³ Yet, even this drastic overhaul of the patent laws met only grudging acceptance in the judiciary.⁵⁴ 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

⁴⁶ See James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 CORNELL L. REV. 387, 390 (2014); Magillocca, *supra* note 44, at 1829, 1833.

⁴⁷ Adam Mossoff, *The Rise and Fall of the First American Patent Thicket: The Sewing Machine War of the 1850s*, 53 ARIZ. L. REV. 165, 198 (2011) (quoting *Sewing Machine-Patent Extension—an Irate Opponent*, 23 SCI. AM. 41, 41 (1870)).

⁴⁸ Act of July 8, 1870, ch. 230, § 26, 16 Stat. 198, 201 (repealed in 1952).

⁴⁹ See Joshua D. Sarnoff, *The Historic and Modern Doctrines of Equivalents and Claiming the Future, Part I (1790–1870)*, 87 J. PAT. & TRADEMARK OFF. SOC’Y 371, 403 (2005).

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.”).

⁵¹ See Rudolph P. Hofmann, Jr. & Edward P. Heller, III, *The Rosetta Stone for the Doctrines of Means-Plus-Function Patent Claims*, 23 RUTGERS COMPUTER & TECH. L.J. 227, 229 (1997).

⁵² *Id.* at 272.

⁵³ See Christopher L. Logan, Comment, *Patent Reform 2005: H.R. 2795 and the Road to Post-Grant Oppositions*, 74 UMKC L. REV. 975, 978–79 (2006).

⁵⁴ Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1, 9 (1997).

rate.⁵⁵ This, in turn, led to further attempts to strengthen and improve the patent system, and these attempts are continuing to this day.⁵⁶

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.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.⁵⁸ The proceedings would eventually take the form of a second (albeit somewhat more limited) round of patent examination.⁵⁹

This idea was by no means new. The idea of reexamination was proposed more than sixty years prior to its enactment.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.”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

⁵⁵ *Id.* at 9–10. With the creation of the U.S. Court of Appeals for the Federal Circuit in 1982, Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (codified as amended in scattered Sections of 28 U.S.C. (2012)), the rate of patent invalidation was significantly reduced. *See, e.g.*, Robert P. Merges, *Commercial Success and Patent Standards: Economic Perspectives on Innovation*, 76 CALIF. L. REV. 803, 822 (1988) (noting significantly reduced rate of patent invalidation after the creation of the Federal Circuit); Gideon Parchomovsky, *Publish or Perish*, 98 MICH. L. REV. 926, 936 & n.35 (2000) (same).

⁵⁶ *See* Janis, *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.

⁵⁷ *See* *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 602, *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), *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).

⁵⁸ *Patlex*, 758 F.2d at 604; H.R. REP. NO. 107-120, at 3.

⁵⁹ *See* Act of December 12, 1980 (Bayh-Dole Act), Pub. L. No. 96-517, ch. 30, § 302, 94 Stat. 3015, 3015 (codified at 35 U.S.C. § 302 (2012)).

⁶⁰ *See* Lightfoot, *supra* note 10, at 127.

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

⁶² Science Advisory Board, *Report of the Committee on the Relation of the Patent System to the Stimulation of New Industries*, 18 J. PAT. OFF. SOC’Y 94, 96 (1936).

⁶³ REP. OF THE NAT’L PATENT PLANNING COMM., 78th Cong. (1943), *reprinted in* 25 J. PAT. OFF. SOC’Y 455, 460 (1943).

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”).

⁶⁵ Exec. Order No. 11,215, 30 Fed. Reg. 4661 (Apr. 8, 1965).

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).

⁷¹ 113 CONG. REC. 30,370 (1967) (statement of Sen. Dirksen).

⁷² *See, e.g.*, H.R. 3309, 113th Cong. (2013); S. 1612, 113th Cong. (2013); S. 1013, 113th Cong. (2013); H.R. 845, 113th Cong. (2013); H.R. 14632, 94th Cong. (1976); S. 473, 94th Cong.

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. . . . “[It] 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

(1975); S. 4259, 93d Cong. (1974); S. 2930, 93d Cong. (1974); S. 2504, 93d Cong. (1973); S. 1321, 93d Cong. (1973); S. 643, 92d Cong. (1971); H.R. 12880, 91st Cong. (1969); S. 1569, 91st Cong. (1969); S. 1246, 91st Cong. (1969).

⁷³ Abe Fortas, *The Patent System in Distress*, 53 J. PAT. OFF. SOC’Y 810, 816 (1971).

⁷⁴ MARTIN SHAPIRO, *THE SUPREME COURT AND ADMINISTRATIVE AGENCIES* 189 (1968).

⁷⁵ See S. 4259; S. 2930; S. 2504; S. 1321.

⁷⁶ See S. 4259; S. 2930; S. 2504; S. 1321.

⁷⁷ Hugh Scott & Dennis Unkovic, *Patent Law Reform: A Legislative Perspective of an Extended Gestation*, 16 WM. & MARY L. REV. 937, 956 (1975).

⁷⁸ See S. 2255, 94th Cong. (1976); see also 122 CONG. REC. 4530 (1976) (reporting passage of S. 2255).

⁷⁹ Philip A. Hart, *Patent Reform—An Overview*, 1973 UTAH L. REV. 579, 579–60 (quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969)).

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.”⁸⁰

Despite this volley of criticism, it would take another four years and two Congresses for the reexamination proposal to become law.⁸¹ That finally happened in 1980 as part of the Bayh-Dole Act.⁸² 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.”⁸³ 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.⁸⁴

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).

⁸² Act of December 12, 1980 (Bayh-Dole Act), Pub. L. No. 96-517, ch. 30, 94 Stat. 3015 (1980).

⁸³ H.R. REP. NO. 96-1307 pt. 1, at 3 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463.

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

⁸⁵ 126 CONG. REC. 30,364 (1980) (statement of Sen. Bayh); 126 CONG. REC. 29,895 (1980) (statement of Rep. Kastenmeier).

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.⁹¹

Nonetheless, and despite these concerns, the 1980 Act contained no time limit on challenging issued patents in administrative proceedings.⁹² 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.⁹³ No particular consideration appears to have been given to the warnings that will become evident in the later Parts of this Article.

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.⁹⁴ 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.’”⁹⁵ 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.”⁹⁶

These criticisms proved prophetic in at least one regard—the reexamination process ended up being perceived as underutilized.⁹⁷ When the Bayh-

⁹¹ Edward F. McKie, Jr., *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”).

⁹² 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).

⁹³ See *supra* notes 83–85 and accompanying text.

⁹⁴ See generally Adamo, *supra* note 81 (criticizing the reexamination process).

⁹⁵ *Id.* at 617.

⁹⁶ *Id.*

⁹⁷ 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, *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, *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.⁹⁸ In reality, only a few hundred were.⁹⁹ For decades, third-party concerns of the reexamination process persisted.¹⁰⁰

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.”¹⁰¹ 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.¹⁰² One recommendation was “providing third parties with more opportunities for substantive participation during the reexamination proceeding.”¹⁰³ 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.”¹⁰⁴

Once again arguing that the changes in the reexamination procedures would improve patent quality,¹⁰⁵ Congress enacted an alternative inter partes

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.”).

⁹⁸ H.R. REP. NO. 96-1307, pt. 1, at 25 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6484.

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).

¹⁰⁰ LAWRENCE A. STAHL & DONALD H. HECKENBERG, JR., *THE CHANGING ATTITUDES TOWARD INTER PARTES REEXAMINATION 1* (June 9, 2010), *available at* <http://www.fitzpatrickcella.com/DB6EDC/assets/files/News/attachment622.pdf>, *archived at* <http://perma.cc/J9E8-25JV>.

¹⁰¹ U.S. PAT. & TRADEMARK OFF., *REPORT TO CONGRESS ON INTER PARTES REEXAMINATION 2* (2004), *available at* <http://www.uspto.gov/web/offices/dcom/olia/reports/reexamreport.pdf>, *archived at* <http://perma.cc/HX7S-33GK>.

¹⁰² See generally THE ADVISORY COMM. ON PATENT LAW REFORM, *A REPORT TO THE SECRETARY OF COMMERCE* (Aug. 1992), *available at* http://ipmall.info/hosted_resources/lip/patents/patentact/ACPLR-1.pdf, *archived at* <http://perma.cc/S29S-9BBS>.

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

¹⁰⁴ *Id.* at 14.

¹⁰⁵ See Rules to Implement Optional Inter Partes Reexamination Proceedings, 65 Fed. Reg. 76756 (Dec. 7, 2000) (“The American Inventors Protection Act of 1999 included an amendment to the Patent Act to authorize the extension of reexamination proceedings via an optional inter partes (multiparty) reexamination procedure . . . as a means for improving the quality of United States patents.”); Roger Shang, *Inter Partes Reexamination and Improving Patent Quality*, 7 NW. J. TECH. & INTELL. PROP. 185, 185 (2009) (“The *inter partes* reexamination procedure was created by Congress in 1999 as a means to challenge dubious patents and to improve patent quality.”); Logan, *supra* note 53, at 988–89 (noting that inter partes reexamination was enacted in response to the failure of ex parte counterpart to improve patent quality).

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

¹⁰⁶ American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 (codified in relevant part in 35 U.S.C. §§ 311–318 (2006)) (repealed 2012).

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.”).

¹⁰⁸ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(a), 125 Stat. 284, 299–305 (2011) (codified at 35 U.S.C. §§ 311–319 (2012)); Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 595, 633 (2012).

¹⁰⁹ See DAN PRUD’HOMME, DULLING THE CUTTING-EDGE: HOW PATENT-RELATED POLICIES AND PRACTICES HAMPER INNOVATION IN CHINA 22–24 (2012), available at <http://www.european-chamber.com.cn/en/publications-patent-policy-innovation-in-china-study>, archived at <http://perma.cc/9QH6-7RLF> (noting a lack of consensus on “what exactly a definition of ‘patent quality’ should entail”).

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.¹¹³

Even when the rate of patent invalidation dramatically decreased, the complaints of “low quality” patents persisted.¹¹⁴ In other words, for nearly a century, reformers have been offering a cure for a disease that may or may not exist.¹¹⁵ 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”¹¹⁶ 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.¹¹⁷

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.

¹¹³ 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.

¹¹⁴ According to Professor Glynn Lunney, the rate of patent invalidation steadily decreased since 1975. Glynn S. Lunney, Jr., *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 Hart, supra* note 79, at 579–60.

¹¹⁵ *See generally* Michael Risch, *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).

¹¹⁶ Method of Swinging on a Swing, U.S. Patent No. 6,368,227 (filed Nov. 17, 2000) (issued Apr. 9, 2002).

¹¹⁷ *See* Mark A. Lemley & Carl Shapiro, *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, *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, *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., *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”). *But see generally* Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 MINN. L. REV. 101 (2006) (arguing that mere ownership of invalid patents negatively affects competition).

extent that such costs were even acknowledged, they were regarded as minimal.¹¹⁸ As it turned out these costs are not at all insignificant and fall disproportionately on the patentees.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.¹²⁰ Then, Section B explores the pitfalls and shortcomings of *ex parte* reexamination.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.¹²² In other words, the reexamination is limited only to issues covered by sections 102 (novelty) and 103 (obviousness) of the 1952 Patent Act.¹²³ Other issues bearing on the patent validity could not be addressed in these proceedings.¹²⁴

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

¹¹⁸ See REP. OF THE PRESIDENT'S COMM'N ON THE PATENT SYS., *supra* note 9, at 31–32.

¹¹⁹ See *infra* notes 297–355 and accompanying text.

¹²⁰ See *infra* notes 122–144 and accompanying text.

¹²¹ See *infra* notes 145–186 and accompanying text.

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).

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 Karshtedt, *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.

¹²⁴ See Dolin, *supra* note 123, at 326–27; Karshtedt, *supra* note 123, at 326.

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).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.”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.”¹²⁸ This means that the PTO can end up considering and ruling on the same prior art several times over.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.”¹³⁰ This preliminary inquiry was meant to “prevent[] potential harassment of patentees by” serving as a significant barrier to non-meritorious requests for reexaminations.¹³¹ In practice, however, the inquiry proved to be little more than a pro forma re-

at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art . . .”). On the other hand, since the creation of the ex parte reexamination, almost a third of all requests were filed by patent owners. *See* U.S. PATENT & TRADEMARK OFF., EX PARTE REEXAMINATION FILING DATA—SEPT. 30, 2013, at 1, available at http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf, archived at <https://perma.cc/KE9D-YXLW?type=pdf> (last visited Apr. 11, 2015) [hereinafter EX PARTE REEXAMINATION FILING DATA].

¹²⁶ 35 U.S.C. §§ 301–302.

¹²⁷ *Id.* § 303(a).

¹²⁸ *In re Swanson*, 540 F.3d 1368, 1376 (Fed. Cir. 2008) (quoting H.R. REP. NO. 107-120, at 3 (2001)).

¹²⁹ *See* J. Steven Baughman, *Reexamining Reexaminations: A Fresh Look at the Ex Parte and Inter Partes 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.

¹³⁰ 35 U.S.C. § 303(a).

¹³¹ H.R. REP. NO. 107-120, at 2 (2001) (“As part of the original 1980 reexamination statute, Congress struck a balance between curing allegedly defective patents and preventing the harassment of patentees. It adopted a standard requiring a request for reexamination to raise a ‘substantial new question of patentability.’”); *see also* Kristen Jakobsen Osenga, *Rethinking Reexamination Reform: Is It Time for Corrective Surgery, or Is It Time to Amputate?*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 217, 235–36 (2003); Janis, *supra* note 54, at 45–46.

quirement.¹³² In fact, the PTO has granted and continues to grant in excess of ninety percent of all requests for reexamination.¹³³

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).¹³⁴ 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.¹³⁵ This means that during the reexamination, the PTO applies the same rules as it does in the initial examination.¹³⁶ All claims are given their broadest possible construction¹³⁷ (meaning that they are more likely to read on prior art, and therefore are more likely to be held invalid),¹³⁸ 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://ptol litigationcenter.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.

¹³⁸ R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1142 (2004) (“[A] ‘broader’ claim

claim.¹³⁹ During the reexamination proceedings the patentee can amend his claims to narrow¹⁴⁰ (but not broaden)¹⁴¹ their scope, much like he would be able to do during the initial examination.¹⁴² 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.¹⁴³ 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.¹⁴⁴

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.¹⁴⁵ After all, one of the major argu-

interpretation . . . 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) (“[T]oo broad a construction could render the claims invalid over prior art.”).

¹³⁹ See *In re Etter*, 756 F.2d 852, 855–56 (Fed. Cir. 1985) (en banc); Dolin, *supra* note 123, at 319.

¹⁴⁰ 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.”).

¹⁴¹ 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.”).

¹⁴² 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.”).

¹⁴³ *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)).

¹⁴⁴ 35 U.S.C. §§ 134(b), 141(b). On September 16, 2012, the Board of Patent Appeals and Interferences was renamed the Patent Trial and Appeal Board as a result of the America Invents Act. See 35 U.S.C. § 6.

¹⁴⁵ See H.R. REP. NO. 96-1307 pt. 1, at 3–4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463 (“Reexamination will permit efficient resolution of questions about the validity of issued patents *without recourse to* expensive and lengthy infringement litigation.”) (emphasis added);

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.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 103.¹⁴⁷ 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).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.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.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,¹⁵¹ nor does litigation have any preclu-

145 CONG. REC. E1790 (daily ed. Aug. 5, 1999) (statement of Rep. Coble); 126 CONG. REC. 30,364 (1980) (statement of Sen. Birch Bayh); 126 CONG. REC. 29,901 (1980) (statement of Rep. Harold Hollenbeck).

¹⁴⁶ See *supra* notes 83–85 and accompanying text.

¹⁴⁷ See *supra* notes 122–126 and accompanying text.

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.”).

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.”).

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”);

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,¹⁵² or rather, neither procedure has a preclusive effect on the *patent challenger*.¹⁵³ The patentee, on the other hand gets to lose only once, for once a patent claim is invalidated, that claim is invalid forever.¹⁵⁴ In other words, a patent that has emerged from reexamination unscathed can still be invalidated in litigation. The reverse is equally true.¹⁵⁵

Because the courts and the PTO must operate under different standards in evaluating the claims' compliance with the requirements of sections 102 and 103,¹⁵⁶ the courts in litigation cannot be guided by the PTO determinations in reexamination even on matters of novelty and obviousness.¹⁵⁷ To make matters more problematic, the PTO itself is not constrained by its own prior determinations of validity.¹⁵⁸ 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.¹⁵⁹ But that is not the only thing the statute allows. Rather,

327 (1993) ("Patent claims that survive reexamination intact remain, nonetheless, subject to the same validity attacks during litigation as those asserted during reexamination. The Patent Office determination, thus, does not have a preclusive effect against third parties, such as the third-party requester, whose petition for reexamination was unsuccessful.").

¹⁵² See *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1364 (Fed. Cir. 2012) (holding that prior judgment by Article III court upholding validity of a claim is not a bar to reexamination); *In re Swanson*, 540 F.3d at 1378–79 (same).

¹⁵³ See *supra* notes 151–152 and accompanying text.

¹⁵⁴ See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 330–50 (1971) (holding that a party whose patent has once been held invalid is estopped from asserting it against others); see also *Janis*, *supra* note 54, at 81.

¹⁵⁵ *In re Baxter Int'l*, 678 F.3d at 1364 (internal citations and quotations omitted) ("[T]he PTO in reexamination proceedings and the court system in patent infringement actions take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions. In particular, a challenger that attacks the validity of patent claims in civil litigation has a statutory burden to prove invalidity by clear and convincing evidence. Should the challenger fail to meet that burden, the court will not find the patent valid, only that the patent challenger did not carry the burden of establishing invalidity in the particular case before the court. In contrast, in PTO reexaminations the standard of proof—a preponderance of the evidence—is substantially lower than in a civil case and there is no presumption of validity in reexamination proceedings.").

¹⁵⁶ See Allen M. Leung, *Legal Judo: Strategic Applications of Reexamination Versus an Aggressive Adversary (Part I)*, 84 J. PAT. & TRADEMARK OFF. SOC'Y 471, 483 (2002) ("Courts have held that litigation and reexamination are two separate proceedings and thus will lead to different outcomes.").

¹⁵⁷ See *id.*

¹⁵⁸ See 35 U.S.C. § 303(a) (2012) ("The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.").

¹⁵⁹ See *Patlex*, 758 F.2d at 604 ("The reexamination statute's purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted."); Amy J. Tindell, *Final Adjudication of Patent Validity in PTO Reexamination and Article III Courts: Whose Job Is It Anyway?*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 787, 791 (2007) ("Congress intended to enable the government

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 liti-

through its patent administrative agency to correct mistakes made in issuing questionable patents.”).

¹⁶⁰ See 35 U.S.C. § 303(a).

¹⁶¹ It is important to note that this is not a result of the law of unintended consequences. In fact, it is quite the opposite. When the Federal Circuit held that in light of the statute as originally drafted “a patent holder would not have to argue that claims were valid over the same references that had been considered by the PTO during the original examination,” *In re Portola Packaging, Inc.*, 110 F.3d 786, 790–91 (Fed. Cir. 1997), Congress amended the statute to explicitly overrule this holding. See Pub. L. No. 107–273, § 13105, 116 Stat. 1758, 1900 (2002). Under the amended statute, reexamination “is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.” 35 U.S.C. § 303(a); see *In re NTP, Inc.*, 654 F.3d 1268, 1277 (Fed. Cir. 2011) (discussing Congressional overruling of *In re Portola*).

¹⁶² See Osenga, *supra* note 131, at 230–36; Andrew Kopelman, Note, *Addressing Questionable Business Method Patents Prior to Issuance: A Two-Part Proposal*, 27 CARDOZO L. REV. 2391, 2408 (2006).

¹⁶³ Jason P. Cooper & Zachary A. Higbee, *How the Proposed Patent Fee Schedule Diminishes the Benefits of the AIA, and a Possible Solution*, 59 FED. LAW. 16, 16 (2012) (“When an alleged infringer was being sued, the reexamination process offered a quick way to increase the transaction cost for the patentee”); Mercado, *supra* note 133, at 562–63 and 598–99; Stefan Blum, Note, *Ex Parte Reexamination: A Wolf in Sheep’s Clothing*, 73 OHIO ST. L.J. 395, 420 (2012) (“[T]he ex parte reexamination experiment failed to serve the intended purpose of reducing litigation costs”).

¹⁶⁴ See *In re Baxter Int’l, Inc.*, 698 F.3d 1349, 1352 (Fed. Cir. 2012) (denying rehearing *en banc*) (Newman, J., dissenting) (“[R]eexamination after a patent has been sustained in court is a multiplier of cost, delay, and uncertainty”).

¹⁶⁵ *Id.*; Wayne B. Paugh, *The Betrayal of Patent Reexamination: An Alternative to Litigation, Not a Supplement*, 19 FED. CIRCUIT B.J. 177, 205–07 (2009) (discussing how reexamination is used as an adjunct to litigation ultimately resulting in yet more litigation, and increasing, rather than decreasing costs).

gation, however, the distribution of costs is entirely unequal.¹⁶⁶ Whereas in litigation both parties bear roughly the same costs for attorney's fees, expert reports, depositions, and the like,¹⁶⁷ reexamination costs are much more one-sided. Recall that ex parte reexaminations are conducted without participation by the third party requester.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.¹⁶⁹ The cost to the patentee on the other hand is much more significant.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.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.

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”).

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.

¹⁶⁸ See *supra* note 134 and accompanying text.

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. Kowalchuk & 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”).

¹⁷⁰ Bauz, *supra* note 149, at 955–56; Mercado, *supra* note 17, at 133–34.

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.¹⁷² 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.¹⁷³ It is little wonder then that patent challengers use reexamination as an *adjunct* rather than *alternative* mechanism to attack patents.¹⁷⁴ 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.¹⁷⁵

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,¹⁷⁶ which is roughly comparable to the pendency

¹⁷² 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”).

¹⁷³ 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]racticitioners 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>.

¹⁷⁴ 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).

¹⁷⁵ 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.”).

¹⁷⁶ 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]

of a case in the trial court.¹⁷⁷ 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.¹⁷⁸ This is especially likely when judges choose to stay litigation proceedings pending the outcome of the reexamination.¹⁷⁹ As the PTO can neither resolve all of the potential invalidity (much less infringement) issues,¹⁸⁰ 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.¹⁸¹ To be sure, it is possible that juries may be more sympathetic to patents that have been reconfirmed in the reexamination proceedings,¹⁸² and that this solicitude

(reporting average time from filing a reexamination request to the Notice of Intent to Issue a Reexamination Certificate was 25.22 months based on data from the first quarter of 2014); U.S. PAT. & TRADEMARK OFF., STATISTICAL DATA CENTRAL REEXAMINATION UNIT (CRU), EX PARTE (EP) AND INTER PARTES (IP) PROCEEDINGS FISCAL YEARS 2012–2013, at 11, *available at* <http://www.uspto.gov/patents/stats/crudatareport.pptx>, *archived at* <https://perma.cc/4Y9T-J2YR?type=pdf> (last visited Apr. 11, 2015) [hereinafter CRU DATA FY 2012–13] (reporting that in 2012–2013 the average length of an ex parte reexamination was twenty months, but was significantly longer if the matter was appealed to the PTAB, and longer still if further appeals were filed with the Federal Circuit).

¹⁷⁷ PRICEWATERHOUSECOOPERS LLP, 2011 PATENT LITIGATION STUDY: PATENT LITIGATION TRENDS AS THE “AMERICA INVENTS ACT” BECOMES LAW 27–28, *available at* <http://www.aipla.org/resources2/intlip/Documents/Other-International-Events/US-Bar-JPO-Liaison-Council-2012/2011-patent-litigation-study.pdf>, *archived at* <http://perma.cc/V2H8-GDV6> (reporting average time to trial as 2.28 years (or 27.36 months)).

¹⁷⁸ Cooper & Higbee, *supra* note 163, at 16 (“Prior to the passage of the America Invents Act (AIA), ex parte and inter partes re-examination were often used as a tool to prolong or complicate litigation.”); Ammon Leshner & Tom Vanderbloemen, *Patent Reform 101: What Every South Carolina Lawyer Should Know*, 24 S.C. LAW. 28, 32 (2012) (“[L]itigants often used reexaminations in tandem with a pending court case, further driving up costs and delays.”); Etan S. Chatlyne, Note, *The Burden of Establishing Patent Invalidity: Maintaining a Heightened Evidentiary Standard Despite Increasing “Verbal Variances,”* 31 CARDOZO L. REV. 297, 314 (2009) (The current system “prolongs an invalidity challenge by encouraging reexamination in addition to litigation instead of encouraging it as an alternative to litigation”).

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.

¹⁸² See Shannon M. Casey, *The Patent Reexamination Reform Act of 1994: A New Era of Third Party Participation*, 2 J. INTELL. PROP. L. 559, 562 (1995) (“[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.”); Joshua D. Sarnoff, *Bilcare, KSR, Presumptions of Validity*,

may make patentees more certain of their rights.¹⁸³ 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.¹⁸⁴ In that sense, all prior PTO conclusions are not entitled to and do not receive any deference.¹⁸⁵

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.¹⁸⁶

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.¹⁸⁷ The AIA

ty, Preliminary Relief, and Obviousness in Patent Law, 25 CARDOZO ARTS & ENT. L.J. 995, 1024–25 (2008) (“[O]nce a patent issues from an ex parte or inter partes reexamination, the factual inference from the grant to its validity may be significantly stronger than from the initial grant.”).

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.

¹⁸⁶ See, e.g., 57 CONG. REC. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Patrick Leahy) (arguing that the post-issuance review proceedings under the AIA provide more protections to patentees against frivolous requests and harassment); 157 CONG. REC. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Patrick Leahy) (same); 157 CONG. REC. S1375 (Mar. 8, 2011) (statement of Sen. Kyl) (same); 155 CONG. REC. S2715 (Mar. 3, 2009) (statement of Sen. Hatch) (arguing that the bill would reform “[t]he current administrative review process at the USPTO [which] is widely viewed as ineffective and inefficient”); Brian Wm. Higgins, *AIA Goal: Reduce Patent Litigation*, MD. INTELL. PROP. L. BLOG (Oct. 16, 2011), <http://www.marylandiplaw.com/2011/10/articles/ip-news-and-trends/aia-goal-reduce-patent-litigation/>, archived at <http://perma.cc/AE4Q-RAB3> (“The new procedures are expected to change the standard for instituting reexaminations and reviews, time limits, burdens of proof, and how discovery is taken.”).

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.¹⁸⁸ A significant portion of the law focused on the post-grant review proceedings.¹⁸⁹ The reform was *again* justified as necessary to ride the market of “the worst patents, which probably never should have been issued.”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 counter-productive litigation costs”—an almost *verbatim* repetition of the promises of and justifications for earlier reforms.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.”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)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.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

¹⁸⁸ See H.R. REP. NO. 112-98 pt. 1, at 38 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 68; Peter Lee, *Patents and the University*, 63 DUKE L.J. 1, 67 (2013).

¹⁸⁹ See Kesan & Gallo, *supra* note 187, at 1391.

¹⁹⁰ 157 CONG. REC. S7413 (daily ed. Nov. 14, 2011) (statement of Sen. Kyl).

¹⁹¹ See Press Release, Sen. Patrick Leahy, Senate Begins Debate on Leahy-Smith America Invents Act (Sept. 6, 2011), *available at* <http://www.leahy.senate.gov/press/senate-begins-debate-on-leahy-smith-america-invents-act>, *archived at* <http://perma.cc/KH4T-RU7J>; see also notes 32–119 and accompanying text.

¹⁹² Tran, *supra* note 4, at 498–99.

¹⁹³ See Innovation Act, H.R. 3309, 113th Cong. (1st Sess. 2013); Patent Transparency and Improvements Act, S. 1720, 113th Cong. (1st Sess. 2013); Patent Litigation Integrity Act, S. 1612, 113th Cong. (1st Sess. 2013) STOP Act, H.R. 2766, 113th Cong. (1st Sess. 2013); Patent Litigation and Innovation Act, H.R. 2639, 113th Cong. (1st Sess. 2013); Patent Abuse Reduction Act, S. 1013, 113th Cong. (1st Sess. 2013); End Anonymous Patents Act, H.R. 2024, 113th Cong. (1st Sess. 2013); Patent Quality Improvement Act, S. 866, 113th Cong. (1st Sess. 2013); SHIELD Act, H.R. 845, 113th Cong. (1st Sess. 2013).

¹⁹⁴ See, e.g., 159 CONG. REC. H7521 (2013) (statement of Rep. Goodlatte) (“Congress is currently pursuing several approaches that have the potential to curb the chilling effect on innovation posed by trolls and improve patent quality.”); P. Andrew Riley et al., *The Surprising Breadth of Post-Grant Review for Covered-Business-Method Patents: A New Way to Challenge Patent Claims*, 15 COLUM. SCI. & TECH. L. REV. 235, 262 (2014); Michael Beckerman, *Innovation Act Will Crack Down on Patent Trolls*, HILL (Oct. 29, 2013 10:00 A.M.), <http://thehill.com/blogs/congress-blog/technology/187919-innovation-act-will-crack-down-on-patent-trolls>, *archived at* <http://perma.cc/H9PK-GL9J>; Timothy B. Lee, *Patent Reform Bill Passes the House 325 to 91. Here's What You Need to Know*, WASH. POST (Dec. 5, 2013), <http://www.washingtonpost.com/blogs/the-switch/wp/2013/12/05/the-house-votes-on-patent-reform-today-heres-what-you-need-to-know/>, *archived at* <http://perma.cc/4C3L-BN2T>.

any test or definition of what constitutes a “low quality” patent.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.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.¹⁹⁷ And on this point, there is simply no solid evidence that any problems are precipitated or exacerbated by the “low quality” patents.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 swing¹⁹⁹ or exercising a cat²⁰⁰ 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.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,”²⁰² they are not the ones that end up as the focus of these proceedings.²⁰³ As studies have consistently shown, most patents never get as-

¹⁹⁵ See generally Christi J. Guerrini, *Defining Patent Quality*, 82 *FORDHAM L. REV.* 3091 (2014) (discussing the definition of “patent quality”).

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.

¹⁹⁷ See *supra* note 117 and accompanying text.

¹⁹⁸ See *supra* note 117 and accompanying text.

¹⁹⁹ *Method of Swinging on a Swing*, U.S. Patent No. 6,368,227 (filed Nov. 17, 2000) (issued Apr. 9, 2002)

²⁰⁰ *Method of Exercising a Cat*, U.S. Patent No. 5,443,036 (filed Nov. 2, 1993) (issued Aug. 22, 1995).

²⁰¹ For example, neither of the above-referenced patents has ever been subject to any litigation.

²⁰² 157 *CONG. REC.* S7413 (daily ed. Nov. 14, 2011) (statement of Sen. Kyl).

²⁰³ See Sherry M. Knowles et al., *Inter Partes Patent Reexamination in the United States*, 86 *J. PAT. & TRADEMARK OFF. SOC'Y* 611, 623 (2004) (“Third party competitors will always be

serted or litigated.²⁰⁴ In that sense, they may not be economically valuable.²⁰⁵ It is the patents that are economically valuable that get the most attention.²⁰⁶ 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.²⁰⁷ The perverse result is that it is the “best” rather than the “worst” patents that are subject to post-issuance review.²⁰⁸

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.²⁰⁹ 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.²¹⁰ Additionally, though the new procedures do have preclusive effects (contra the *ex parte* reexamination process),²¹¹ the preclusion works on a *per petitioner* rather than *per patent* basis.²¹² 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-

²⁰⁹ See Sterne et al., *supra* note 171, at 14–15.

²¹⁰ The AIA eliminated *inter partes* reexamination. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(c)(3)(C), 125 Stat. 284, 305 (2011); 77 Fed. Reg. 7,075 (Feb. 10, 2012). But, that process was rarely used to begin with. See Tun-Jen Chiang, *The Advantages of Inter Partes Reexamination*, 90 J. PAT. & TRADEMARK OFF. SOC'Y 579, 579 (2008). The *inter partes* reexamination was replaced with *inter partes* review. 35 U.S.C. § 311 (2012).

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) (estopping “[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.

view;²¹³ (b) inter partes review;²¹⁴ and (c) covered business method review.²¹⁵ Each of the procedures is discussed in turn.²¹⁶

A. The Post Grant Review

The post grant review (“PGR”) process resembles the original, mid-twentieth century proposals for reexamination.²¹⁷ It is also similar to the opposition practice in the European Patent Office,²¹⁸ and indeed was enacted with an eye towards making the U.S. patent issuance process similar to the European one.²¹⁹ Any person (other than a patent owner) can file a PGR request challenging an issued patent on any ground of invalidity.²²⁰ This is unlike the ex parte reexamination, which only considers challenges arguing lack of novelty or obviousness.²²¹ 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.²²² The opportunity to file a PGR request exists for patents filed on or after March 16, 2013²²³ and must be exercised within nine months of the patent issue (or reissue) date.²²⁴ Additionally, a PGR cannot be requested if the requester, prior to seeking PGR has previously filed a civil action challenging

²¹³ *Id.* §§ 321–329 (2012).

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).

²¹⁸ *See generally Opposition Procedure in the EPO*, OFFICIAL JOURNAL EPO 148 (Mar. 2001), available at http://archive.epo.org/epo/pubs/oj001/03_01/03_1481.pdf, archived at <http://perma.cc/473A-86BZ> (discussing European Patent Office opposition proceedings).

²¹⁹ *See* Filip De Corte et al., *AIA Post-Grant Review & European Oppositions: Will They Work in Tandem, or Rather Pass Like Ships in the Night?*, 14 N.C. J.L. & TECH. 93, 96 (2012).

²²⁰ 35 U.S.C. § 321.

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.

²²⁴ 35 U.S.C. § 321(c).

the validity of the patent.²²⁵ On the other hand, it is permissible to file a PGR request first, and thereafter file a declaratory judgment civil action.²²⁶ While the PGR is pending, however, the civil action is automatically stayed unless the patentee either waives a stay or brings his own infringement counterclaims.²²⁷ Importantly, in a PGR, the challenger must identify the patent claims he believes to be improperly issued.²²⁸ 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.²²⁹

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.²³⁰ Once the response is filed, the Patent Office has up to three months to decide whether to grant the PGR petition.²³¹ No appeal (save for a motion for reconsideration) lies from the decision to either grant or deny the petition.²³² 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).²³³ 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."²³⁴ Alternatively, the PGR may be ordered to resolve "a novel or unsettled legal question that is important to other patents or patent applications."²³⁵

If the Patent Office grants the petition and institutes the PGR proceedings, the matter goes to trial before the PTAB,²³⁶ which must render its final decision within twelve months of the decision to institute the proceedings.²³⁷

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.*

²³⁴ 35 U.S.C. § 324(a).

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 ("APJ"). 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,²³⁸ 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.²³⁹

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,"²⁴⁰ in the PTAB proceedings the petitioner carries his burden by satisfying the "preponderance of evidence" standard.²⁴¹ 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,²⁴² at the PTAB they are given their "broadest reasonable construction."²⁴³ The broader the claim construction, the more likely it is to sweep prior art within its ambit.²⁴⁴ 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

Trial and Appeal Board, U.S. PAT. & TRADEMARK OFF. (May 02, 2014), http://www.uspto.gov/blog/director/entry/progress_continues_with_our_patent, archived at <https://perma.cc/HNR7-9PUG>?type=source ("We are moving fast toward our goal of adding 60 new judges for a grand total of 200 by June 1st."). These new APJs themselves often have limited experience in practice. It is a rather dubious proposition that having relatively young attorneys (i.e., with less than a decade of experience in litigating cases) pass on the validity of fairly complex claims will "improve patent quality and limit unnecessary and counterproductive litigation costs." See Press Release, Sen. Patrick Leahy, *supra* note 191.

²³⁷ 35 U.S.C. § 326(a)(11). For good cause shown, the period may be extended for an additional six months for a total of eighteen months from the date the petition was granted. *Id.*

²³⁸ *Id.* § 326(a)(5). Though discovery is permitted, it is more limited than that which would otherwise be available in litigation. See Sterne et al., *supra* note 171, at 40.

²³⁹ 37 C.F.R. § 42.20(a)–(b) (2014).

²⁴⁰ See *Microsoft Corp. v. i4i Ltd.*, 131 S. Ct. 2238, 2242 (2011).

²⁴¹ 35 U.S.C. § 326(e).

²⁴² See, e.g., *L.B. Plastics, Inc. v. Amerimax Home Prods., Inc.*, 499 F.3d 1303, 1308 (Fed. Cir. 2007) (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314–19 (Fed. Cir. 2005) (en banc)).

²⁴³ 37 C.F.R. § 42.100(b).

²⁴⁴ See Roger Allan Ford, *Patent Invalidity Versus Noninfringement*, 99 CORNELL L. REV. 71, 95 (2013).

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 argument 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 decision 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 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 estopped from asserting the same claims and theories that were rejected by the PTAB.²⁵⁵ The estoppel applies both to litigation and administrative proceedings, that is to say that a petitioner cannot request another administrative review (whether a PGR or any other kind) or judicial determination on the same

²⁴⁵ 35 U.S.C. § 326(d).

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 Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,692 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42).

²⁴⁹ Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,767 (Aug. 14, 2012) (to be 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 (describing the sequence of the PGR and IPR proceedings).

²⁵¹ 35 U.S.C. § 328(a).

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 Ill. Found.*, 402 U.S. 313, 330–50 (1971).

issue that has been finally adjudicated by the Board.²⁵⁶ 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.”²⁵⁷ 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)²⁵⁸ and anyone in privity with the petitioner.²⁵⁹ 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.²⁶⁰

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 proceedings²⁶¹ and the timing during which the PGR could be instituted,²⁶² it raised (at least nominally) the standard for granting the petition for instituting the PGR review,²⁶³ created estoppel provisions,²⁶⁴ 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.²⁶⁵

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 is extended). This timeframe is roughly equivalent to the district court litigation timeframe.²⁶⁶ Therefore, although

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).

²⁵⁷ 35 U.S.C. § 325(e).

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”).²⁶⁷ 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.²⁶⁸ 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 103.²⁶⁹ Claims cannot be challenged under any other grounds (whereas in a PGR the challenger may argue any grounds for invalidity).²⁷⁰ 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.²⁷¹ An IPR request can be filed against any patent, irrespective of the date of issuance,²⁷² 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.”²⁷³ 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.²⁷⁴ The same bars

²⁶⁷ 35 U.S.C. §§ 311–319.

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).

²⁷³ 35 U.S.C. § 314(a).

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).

²⁸⁰ See Stephen T. Schreiner & Andrew J. Baca, *Status of Intellectual Property Reform Legislation in the Congress and How It May Affect How Banks Acquire and Enforce Patents*, 124 BANKING L.J. 920, 923 (2007); Jeffrey H. Birnbaum, *Lawmakers Move to Grant Banks Immunity Against Patent Lawsuit*, WASH. POST, Feb. 14, 2008, at A22.

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

²⁸¹ 157 CONG. REC. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer).

²⁸² The DataTreasury patents for check imaging that were the impetus for Sen. Sessions' initial proposal were in fact subject to reexamination. See U.S. Patent No. 6,032,137 (filed May 19, 1998) (issued Feb. 29, 2000), *reexamination certificate* 6063rd (issued Dec. 12, 2007); U.S. Patent No. 5,910,988 (filed Aug. 27, 1997) (issued June 8, 1999), *reexamination certificate* 5,957th (issued Oct. 23, 2007). Additionally, both patents were litigated and survived invalidity challenges at trial as well. See *DataTreasury Corp. v. WellsFargo & Co.*, No. 2:06-cv-72 DF, 2011 WL 8810604, at *2 (E.D. Tex. Aug. 2, 2011). Despite the reconfirmation of the validity of these patents time and again, they now find themselves simultaneously facing multiple requests for IPR and CBMR. For example, the '137 patent is subject to CBMR proceedings in CBM2014-00056, CBM2014-00020 and CBM2014-00088. See *Fiserv, Inc. v. DataTreasury Corp.*, CBM2014-00088, Paper No. 6 (P.T.A.B. Sept. 4, 2014) (Decision: Institution of CMBR); *Fidelity Nat'l Info. Servs., Inc.*, CBM2014-00020, Paper No. 13 (P.T.A.B. Apr. 29, 2014) (Decision: Institution of CMBR); *Jack Henry & Assocs. v. DataTreasury Corp.*, CBM2014-00056, Paper No. 17 (P.T.A.B. July 10, 2014) (Decision: Institution of CMBR). Similarly, the '988 patent is subject to two instituted CMBRs. See *Jack Henry & Assocs. v. DataTreasury Corp.*, CBM2014-00057, Paper No. 17 (P.T.A.B. July 10, 2014) (Decision: Institution of CMBR); *Fidelity Nat'l Info. Servs., Inc. v. DataTreasury Corp.*, CBM2014-00021, Paper No. 14 (P.T.A.B. Apr. 29, 2014) (Decision: Institution of CMBR). There is also one other request for review pending. See *Petition for Review, Fiserv, Inc. v. DataTreasury Corp.*, CBM2014-00087 (filed Mar. 12, 2014).

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 years²⁸⁶ 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

²⁸³ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(d)(1), 125 Stat. 284, 331 (2011).

²⁸⁴ Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012).

²⁸⁵ 37 C.F.R. § 42.301(b) (2014).

²⁸⁶ Leahy-Smith America Invents Act § 18(a)(3), 125 Stat. at 330.

²⁸⁷ *Id.* § 18(a)(1), 125 Stat. at 329–31.

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.”).

²⁹¹ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(D), 125 Stat. 284, 330 (2011).

not apply to the privy of the petitioner in subsequent civil actions or the International Trade Commission proceedings.²⁹² 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.²⁹³ Next, Section B briefly explains the lack of data for PGR proceedings.²⁹⁴ Finally, Section C examines IPR data,²⁹⁵ while Section D then analyzes CBMR data.²⁹⁶

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.²⁹⁷ Of those, approximately 70% were requested by someone other than the patentee.²⁹⁸ 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.²⁹⁹ Over 90% of all petitions resulted in the initiation of a re-exam.³⁰⁰ 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

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.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.³⁰² Only 12% of all patents that enter reexamination fail to receive the reexamination certificate.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.³⁰⁴ About a third of all patents that are put through reexamination are also the subject of litigation.³⁰⁵ Because it is common to stay litigation proceedings while reexamination is ongoing,³⁰⁶ reexamination can serve to prolong litigation and increase its cost to the patentee.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.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.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.³¹⁰ With each reexamination having a mean length of twenty months,³¹¹ a patent can be held in a state of

³⁰¹ *Id.* at 2.

³⁰² *Id.*

³⁰³ *Id.*

³⁰⁴ See Sterne et al., *supra* note 171, at 14–15.

³⁰⁵ EX PARTE REEXAMINATION FILING DATA, *supra* note 125, at 1.

³⁰⁶ See Scott M. Daniels & Kate Addison, *Why Wait for Oppositions?*, 47 IDEA 343, 355 (2007); Mercado, *supra* note 17, at 114.

³⁰⁷ See Sterne et al., *supra* note 171, at 9.

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.”).

³⁰⁹ Sterne et al., *supra* note 171, at 14–15.

³¹⁰ *Id.* at 15.

³¹¹ See CRU DATA FY 2012–13, *supra* note 176, at 11.

uncertainty for years at a time, which significantly cuts down that patent's effective life.³¹²

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.³¹³ 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, 2013.³¹⁴ Because it takes a significant amount of time for a patent application to be evaluated and granted,³¹⁵ 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,³¹⁶ 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,³¹⁷ and that challengers will have up to nine months to decide whether to seek a PGR,³¹⁸ 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.")

³¹³ A few petitions, however, are pending. See, e.g., *Netsirv LLC v. Boxbee, Inc.*, PGR2015-0009, Paper No. 1 (P.T.A.B. Mar. 17, 2015) (Petition for Review), *Am. Simmental Assoc. v. Leachman Cattle of Colo., LLC*, PGR2015-0005, Paper No. 1 (P.T.A.B. Jan. 30, 2015) (Petition for Review); *Am. Simmental Assoc. v. Leachman Cattle of Colo., LLC*, PGR2015-0003, Paper No. 2 (P.T.A.B. Nov. 21, 2014) (Petition for Review).

³¹⁴ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(f)(2)(A), 125 Stat. 284, 311 (2011).

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.*

³¹⁸ 35 U.S.C. § 321(c) (2012).

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

³¹⁹ See *Inter Partes Disputes*, U.S. PAT. & TRADEMARK OFF., <http://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/inter-partes-disputes>, archived at <https://perma.cc/SAB9-4AYH?type=source> (last visited Apr. 11, 2015); *Patent Trial and Appeal Board AIA Progress: Statistics (as of Jan. 8, 2015)*, U.S. PAT. & TRADEMARK OFF. 1, http://www.uspto.gov/sites/default/files/documents/aia_statistics_01_08_2015.pdf, archived at <https://perma.cc/3ZQZ-VGE6?type=pdf> (last visited Apr. 11, 2015) [hereinafter *AIA Progress Statistics*].

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 invalidity³³² 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-

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.

³²⁹ John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205–06 (1998); see also Donald R. Dunner, *The United States Court of Appeals for the Federal Circuit: Its First Three Years*, 13 AIPLA Q.J. 185, 186–87 (1985); Mark A. Lemley, *An Empirical Study of the Twenty-Year Patent Term*, 22 AIPLA Q.J. 369, 420 (1994); Merges, *supra* note 55, at 822.

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.

tion.³³⁴ 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 *per claim* invalidation rate of 83%.³³⁵

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.³³⁶ 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

³³⁴ A number of other patents had inter partes reexamination instituted against them and then terminated on favorable terms due to prevailing in concurrent litigation.

³³⁵ 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. Thus, 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).

³³⁶ *See Harnessing Patent Office Litigation Vol. VIII: A Look at Twenty-Seven Months of Inter Partes Review Proceedings Before the United States Patent and Trademark Office*, HARNES DICKY, <http://ipr-pgr.com/wp-content/uploads/2015/01/IPR-PGR-Report-Vol.-8.pdf>, archived at <http://perma.cc/4X9G-ELT5> (last visited Apr. 11, 2015).

(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.

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

³³⁸ *Harnessing Patent Office Litigation Vol. VI: A Look at Twenty-One Months of Inter Partes Review Proceedings Before the United States Patent and Trademark Office*, HARNESS DICKEY, <http://ipr-pgr.com/wp-content/uploads/2014/07/IPR-PGR-Report-Vol.-61.pdf>, archived at <http://perma.cc/KC9C-TMFS> (last visited Apr. 11, 2015); *Harnessing Patent Office Litigation Vol. VII: A Look at Twenty-Four Months of Inter Partes Review Proceedings Before the United States Patent and Trademark Office*, HARNESS DICKEY, <http://ipr-pgr.com/wp-content/uploads/2014/09/IPR-PGR-Report-Vol.-7.pdf>, archived at <http://perma.cc/6PHL-L5FR> (last visited Apr. 11, 2015).

³³⁹ 35 U.S.C. § 316(d) (2012).

³⁴⁰ See *supra* notes 245–247 and accompanying text.

³⁴¹ See *Int'l Flavors & Fragrances Inc. v. U.S. Dep't of Agric.*, IPR2013-00124, Paper No. 12 (P.T.A.B. May 20, 2014) (Final Written Decision); *Tandus Flooring, Inc. v. Interface, Inc.*, IPR2013-00333, Paper No. 67 (P.T.A.B. Dec. 8, 2014) (Final Written Decision).

³⁴² U.S. Patent No. 7,579,016 (filed Apr. 21, 2008) (issued Aug. 25, 2009).

³⁴³ See *Int'l Flavors & Fragrances Inc. v. U.S. Dep't of Agric.*, IPR2013-00124, Paper No. 12, at 2 (P.T.A.B. May 20, 2014) (Final Written Decision).

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.

³⁴⁸ See *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00003, Paper No. 78 (P.T.A.B. Feb. 11, 2014) (Final Written Decision); *Groupon, Inc. v. Blue Calypso, LLC*, CBM2013-00033, Paper No. 45 (P.T.A.B. Dec. 17, 2014) (Final Written Decision).

³⁴⁹ See *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00003, Paper No. 78 (P.T.A.B. Feb. 11, 2014) (Final Written Decision).

³⁵⁰ *Groupon, Inc. v. Blue Calypso, LLC*, CBM2013-00033, Paper No. 45 (P.T.A.B. Dec. 17, 2014) (Final Written Decision).

³⁵¹ See *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2013-00004, Paper No. 53 (P.T.A.B. Mar. 13, 2014); *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00010, Paper No. 59 (P.T.A.B. Feb. 24, 2014); *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2013-00002, Paper No. 59 (P.T.A.B. Feb. 24, 2014); *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2013-00009, Paper No. 68 (P.T.A.B. Feb. 11, 2014); *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00003, Paper No. 73 (P.T.A.B. Feb. 11, 2014); *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00004, Paper No. 60 (P.T.A.B. Jan. 23, 2014); *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00002, Paper No. 66 (P.T.A.B. Jan. 23, 2014). All these cases concerned patents owned by Progressive Insurance Company and all were brought by Liberty Mut. Insurance Company.

those findings affirmed by the Federal Circuit.³⁵² 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.³⁵³ Applying a different claim construction than that which was used by federal courts, the PTAB invalidated the patent.³⁵⁴

In another case, CBMR was instituted after a patent was found to be valid by the District Court.³⁵⁵ 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.³⁵⁶ After a hearing, the PTAB invalidated the patent.³⁵⁷

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

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).

³⁵³ See *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001, Paper No. 70, at 2–3 (P.T.A.B. June 11, 2013) (Final Written Decision).

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).

³⁵⁵ See *Interthinx, Inc. v. CoreLogic Solutions, LLC*, CBM2012-00007, Paper No. 58 (P.T.A.B. Jan. 30, 2014) (Final Written Decision) (following *CoreLogic Info. Solutions, Inc. v. Fiserv, Inc.*, No. 2:10-CV-132-RSP, 2012 WL 4761739 (E.D. Tex. Oct. 2, 2012)).

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,³⁵⁸ while Section B addresses attempts to evade estoppel and time bars.³⁵⁹ Then, Section C examines seriatim attempts at invalidation.³⁶⁰ Finally, Section D surveys the use of post-issuance review proceedings to retaliate against other firms or create pressure to force settlements.³⁶¹

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.³⁶² 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 \$368,160,000.³⁶³ A judgment was entered on the verdict,³⁶⁴ and Apple took an appeal to the Federal Circuit.³⁶⁵ 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.³⁶⁶ 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.

³⁵⁸ See *infra* notes 362–371 and accompanying text.

³⁵⁹ See *infra* notes 372–396 and accompanying text.

³⁶⁰ See *infra* notes 397–428 and accompanying text.

³⁶¹ See *infra* notes 429–451 and accompanying text.

³⁶² U.S. Patent No. 7,921,211 (filed Aug. 17, 2007) (issued Apr. 5, 2011); U.S. Patent No. 7,418,504 (filed Nov. 18, 2003) (issued Aug. 26, 2008); U.S. Patent No. 7,490,151 (filed Sept. 30, 2002) (issued Feb. 10, 2009); U.S. Patent No. 6,502,135 (filed Feb. 15, 2000) (issued Dec. 31, 2002).

³⁶³ *VirnetX, Inc. v. Apple Inc.*, 925 F. Supp. 2d 816, 825 (E.D. Tex. 2013), *aff'd in part, vacated in part, rev'd in part sub nom.* *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308 (Fed. Cir. 2014).

³⁶⁴ *Id.* at 849–50.

³⁶⁵ See *Cisco Sys.*, 767 F.3d at 1344 (vacating damages award and remanding).

³⁶⁶ *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00378, Paper No. 4 (P.T.A.B. June 23, 2014) (Petition for Review); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00377, Paper No. 4 (P.T.A.B. June 23, 2014) (Petition for Review); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00376, Paper No. 5 (P.T.A.B. June 23, 2014) (Petition for Review); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00375, Paper No. 4 (P.T.A.B. June 23, 2014) (Petition for Review).

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.³⁶⁷ 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.³⁶⁸

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 multi-million dollar damage can be accomplished at the relatively low cost of an IPR filing.³⁶⁹ 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.³⁷⁰ De-

³⁶⁷ See Michelle Carniaux & Michael E. Sander, *The Curious Case of New Bay Capital LLC and VirnetX Inc.*, IPR BLOG (Nov. 22, 2013), <http://interpartesreviewblog.com/curious-case-new-bay-capital-llc-virnetx-incl>, archived at <http://perma.cc/FV4E-KUUR>.

³⁶⁸ See Tom Shaughnessy, *VirnetX: New Bay Capital LLC's And Apple's Contrived IPRs - Part 2: New Bay Retraces*, SEEKING ALPHA (Oct. 25, 2013, 12:05 AM), <http://seekingalpha.com/article/1772542-virnetx-new-bay-capital-llcs-and-apples-contrived-iprs-part-2-new-bay-retraces>, archived at <http://perma.cc/BV8A-C5BJ>.

³⁶⁹ The American Intellectual Property Law Association estimates that the "all-in" cost for an IPR is somewhere around \$300,000. See TOM ENGELLENER, AM. INTELLECTUAL PROP. ASS'N, COMPARISON OF FEDERAL COURT, ITC, AND USPTO PROCEEDINGS IN IP DISPUTES 21, 22 (Jan. 2014), available at http://www.aipla.org/committees/committee_pages/IP-Practice-in-Japan/Committee%20Documents/2014%20MWI%20Presentations/Tom%20Engellenner%20-%20IP%20Dispute%20Cost%20Comparison.ppt, archived at <https://perma.cc/3H8Z-B4GC?type=pdf> (last visited Apr. 11, 2015). The amount of money that could be made in the market however, can far exceed the cost of an IPR.

³⁷⁰ See *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00378, Paper No. 14, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00377, Paper No. 14, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00376, Paper No. 17, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding); *New Bay Capital, LLC v. VirnetX, Inc.*,

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.³⁷¹ 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.

IPR2013-00375, Paper No. 16, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding).

³⁷¹ Admittedly, when New Bay abandoned its challenge, the PTAB treated the motion to abandon as a request for adverse judgment that triggered estoppel provisions against New Bay. *See* *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00378, Paper No. 14, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00377, Paper No. 14, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00376, Paper No. 17, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00375, Paper No. 16, at 1 (P.T.A.B. Nov. 12, 2013) (Judgment: Termination of the Proceeding). Nonetheless, the judgments against New Bay do not preclude any other party from using the same materials to request an IPR against VirnetX. That is especially true given that the Board had not decided whether to institute an IPR on the basis of New Bay's filings, thus giving no hint as to its view of the strength of New Bay's evidence or argument.

B. Evasion of Estoppel and Time Bars

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.³⁷² In the minds of the AIA's drafters, these limitations would protect patentees against harassment by patent challengers.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.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.³⁷⁵ Though Apple attempted to file the request anyway, the PTAB dismissed it.³⁷⁶ That should have been the end of the story, but it was not.

³⁷² See 35 U.S.C. § 315(e) (2012) (creating estoppel provisions); *id.* § 325(e) (same); see also Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 18(a)(1)(D), 125 Stat. 284, 330 (2011) (same).

³⁷³ See, e.g., H.R. REP. NO. 112-98, pt. 1, at 48 (2011), reprinted in 2011 U.S.C.C.A.N. 67, 78; 157 CONG. REC. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley).

³⁷⁴ *Apple Inc. v. VirnetX Inc.*, IPR2013-00398, Paper No. 4 (P.T.A.B. July 1, 2013) (Petition for Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00397, Paper No. 1 (P.T.A.B. July 1, 2013) (Petition for Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00394, Paper No. 1 (P.T.A.B. July 1, 2013) (Petition for Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00393, Paper No. 4 (P.T.A.B. July 1, 2013) (Petition for Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00354, Paper No. 5 (P.T.A.B. June 17, 2013) (Petition for Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00349, Paper No. 1 (P.T.A.B. June 12, 2013) (Petition for Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00348, Paper No. 1 (P.T.A.B. June 12, 2013) (Petition for Review). Three of these requests were filed just before New Bay filed its requests and four were filed afterwards.

³⁷⁵ See *Apple Inc. v. VirnetX Inc.*, IPR2013-00398, Paper No. 16 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00394, Paper No. 15 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00393, Paper No. 17 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00349, Paper No. 14 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00354, Paper No. 20 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00348, Paper No. 14 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review).

³⁷⁶ See *Apple Inc. v. VirnetX Inc.*, IPR2013-00398, Paper No. 16 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00394, Paper No. 15 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00393, Paper No. 17 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00349, Paper No. 14 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00354, Paper No. 20 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00348, Paper No. 14 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review). Apple's filing was not as frivolous as it might seem. Under the statute, a petition that is otherwise out of time may still be filed and joined to a timely filed petition. 35 U.S.C. § 315(b). For that reason, Apple attempted to have its petition joined to those of the then-pending New Bay petitions. Indeed, Apple opposed the

As soon as New Bay's IPR petitions were withdrawn, seven additional IPR requests were filed by RPX Corporation.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."³⁷⁸ It is a membership-based organization that provides the aforementioned services to its members.³⁷⁹ One of the services it provides is participation in post-issuance review in an attempt to invalidate patents.³⁸⁰ Although such attempts are clearly meant to benefit RPX's member-clients, ostensibly, RPX files petitions in its own name.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

termination of the proceedings in the *New Bay* case precisely because it wished to join its out of time petitions to the timely filed *New Bay* petitions. See *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00378 (P.T.A.B. Nov. 1, 2013) (Order: Conduct of the Proceeding) (authorizing *New Bay* to file a motion to terminate and denying Apple's request to file an opposition to the motion to terminate); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00377, Paper No. 13, at 2–3 (P.T.A.B. Nov. 1, 2013) (Order: Conduct of the Proceeding) (same); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00376, Paper No. 14, at 2–3 (P.T.A.B. Nov. 1, 2013) (Order) (same); *New Bay Capital, LLC v. VirnetX, Inc.*, IPR2013-00375, Paper No. 13, at 2–3 (P.T.A.B. Nov. 1, 2013) (Order: Conduct of the Proceeding) (same). Once *New Bay*'s petitions were denied, however, Apple's request for joinder was dismissed as moot. See *Apple Inc. v. VirnetX Inc.*, IPR2013-00398, Paper No. 16 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00394, Paper No. 15 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00393, Paper No. 17 (P.T.A.B. Dec. 18, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00349, Paper No. 14 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00354, Paper No. 20 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review); *Apple Inc. v. VirnetX Inc.*, IPR2013-00348, Paper No. 14 (P.T.A.B. Dec. 13, 2013) (Decision: Denying Inter Partes Review).

³⁷⁷ See *RPX Corp. v. VirnetX, Inc.*, IPR2014-00177, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *RPX Corp. v. VirnetX, Inc.*, IPR2014-00176, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *Petition for Review, RPX Corp. v. VirnetX, Inc.*, IPR2014-00175, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *RPX Corp. v. VirnetX, Inc.*, IPR2014-00174, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *RPX Corp. v. VirnetX, Inc.*, IPR2014-00173, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *RPX Corp. v. VirnetX, Inc.*, IPR2014-00172, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *RPX Corp. v. VirnetX, Inc.*, IPR2014-00171, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review).

³⁷⁸ See, e.g., *RPX Corp. v. VirnetX, Inc.*, IPR2014-00177, Paper No. 2, at 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *Company*, RPX, <http://www.rpxcorp.com/about-rpx/>, archived at <https://perma.cc/DG46-UE68?type=source> (last visited Apr. 11, 2015).

³⁷⁹ See *RPX Corp. v. VirnetX, Inc.*, IPR2014-00177, Paper No. 2, at 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review); *Why Join*, RPX, <http://www.rpxcorp.com/why-join-rpx/>, archived at <https://perma.cc/QUZ7-GRFA?type=source> (last visited Apr. 11, 2015).

³⁸⁰ *RPX Corp. v. VirnetX, Inc.*, IPR2014-00177, Paper No. 2, at 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review).

³⁸¹ *Id.* at 3.

provisions that may be applicable against Apple.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.”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,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.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.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.³⁸⁷ One would assume that RPX’s at-

³⁸² *Id.* at 1, 4.

³⁸³ *Id.* at 3.

³⁸⁴ See RPX Corp. v. VirnetX, IPR2014-00171, IPR2014-00172, IPR2014-00173, IPR2014-00174, IPR2014-00175, IPR2014-00176, IPR2014-00177, Paper No. 49, at 8 (P.T.A.B. June 5, 2014) (Decision: Denial of Inter Partes Review) (issuing a single decision denying IPR for all of RPX’s petitions).

³⁸⁵ *Id.* at 10.

³⁸⁶ *Id.* (specifying that the conclusion is reached on that particular record).

³⁸⁷ See RPX Corp. v. ParkerVision, Inc., IPR2014-01107, Paper No. 1 (P.T.A.B. July 2, 2014) (Petition for Review); RPX Corp. v. ParkerVision, Inc., IPR2014-00948, Paper No. 1 (P.T.A.B. June 12, 2014); RPX Corp. v. ParkerVision, Inc., IPR2014-00947, Paper No. 1 (P.T.A.B. June 12, 2014) (Petition for Review); RPX Corp. v. ParkerVision, Inc. IPR2014-00946, Paper No. 1 (P.T.A.B. June 12, 2014) (Petition for Review). All of these petitions have been filed against ParkerVision, Inc., which prevailed in a jury trial against Qualcomm and was awarded \$172 million in damages. A week after RPX filed its petitions, the district court vacated the jury verdict and entered judgment in favor of Qualcomm on the issue of infringement. See *ParkerVision, Inc. v. Qualcomm, Inc.*, 27 F. Supp. 3d 1266, 1289 (M.D. Fla. June 20, 2014). Qualcomm is not a member of RPX. See, e.g., RPX Corp. v. ParkerVision, Inc., IPR2014-00947, Paper No. 1, at 1 n.1 (P.T.A.B. June 12, 2014) (Petition for Review). But, given the type of products marketed by Qual-

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

comm and the patented technology, it is likely that other RPX clients would greatly benefit from RPX's success before the PTAB.

³⁸⁸ See, e.g., *VirnetX, Inc. v. Cisco Sys., Inc.*, No. 6:10-CV-417, 2013 WL 789288 (E.D. Tex. Mar. 1, 2013); *VirnetX, Inc. v. Mitel Networks Corp.*, No. 6:11-CV-18, 2012 WL 3135639 (E.D. Tex. Aug. 1, 2012); *VirnetX, Inc. v. Microsoft Corp.*, No. 6:07CV80, 2009 WL 2370727 (E.D. Tex. July 30, 2009).

³⁸⁹ See *A Steadily Expanding Network of Industry Leaders*, RPX, <http://www.rpxcorp.com/rpx-membership/rpx-client-network/>, archived at <https://perma.cc/QUZ7-GRFA?type=source> (last visited Apr. 11, 2015) (providing a sampling of RPX's clients).

³⁹⁰ *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00615, Paper No. 2 (P.T.A.B. Apr. 14, 2014) (Petition for Review) (challenging U.S. Patent No. 7,921,211); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00612, Paper No. 2 (P.T.A.B. Apr. 14, 2014) (Petition for Review) (challenging U.S. Patent No. 7,418,504); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00616, Paper No. 2 (P.T.A.B. Apr. 14, 2014) (Petition for Review) (challenging U.S. Patent No. 7,921,211); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00618, Paper No. 2 (P.T.A.B. Apr. 11, 2014) (Petition for Review) (same); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00614, Paper No. 2 (P.T.A.B. Apr. 11, 2014) (Petition for Review) (challenging U.S. Patent No. 7,418,504); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00613, Paper No. 2 (P.T.A.B. Apr. 11, 2014) (Petition for Review) (same); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00610, Paper No. 2 (P.T.A.B. Apr. 10, 2014) (Petition for Review) (challenging U.S. Patent No. 7,490,151); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00558, Paper No. 2 (P.T.A.B. Mar. 31, 2014) (Petition for Review) (challenging U.S. Patent No. 6,502,135); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00405, Paper No. 2 (P.T.A.B. Jan. 31, 2014) (Petition for Review) (challenging U.S. Patent No. 7,188,180); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00404, Paper No. 2 (P.T.A.B. Jan. 31, 2014) (Petition for Review) (challenging U.S. Patent No. 7,987,274); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00403, Paper No. 2 (P.T.A.B. Jan. 31, 2014) (Petition for Review) (same); *Microsoft Corp. v. VirnetX, Inc.*, IPR2014-00401, Paper No. 2 (P.T.A.B. Jan. 31, 2014) (Petition for Review) (challenging U.S. Patent No. 7,188,180).

³⁹¹ See *RPX Corp. v. VirnetX, Inc.*, IPR2014-00177, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review) (challenging U.S. Patent No. 7,418,504); *RPX Corp. v. VirnetX, Inc.*, IPR2014-00176, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review) (same); *RPX Corp. v. VirnetX, Inc.*, IPR2014-00175, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review)

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-

(challenging U.S. Patent No. 7,921,211); RPX Corp. v. VirnetX, Inc., IPR2014-00174, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review) (same); RPX Corp. v. VirnetX, Inc., IPR2014-00173, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review) (challenging U.S. Patent No. 7,490,151); RPX Corp. v. VirnetX, Inc., IPR2014-00172, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review) (challenging U.S. Patent No. 6,502,135); RPX Corp. v. VirnetX, Inc., IPR2014-00171, Paper No. 2 (P.T.A.B. Nov. 20, 2013) (Petition for Review) (same).

³⁹² Compare *supra* note 390 and accompanying text (Microsoft's petitions), with *supra* note 391 and accompanying text (RPX's petitions).

³⁹³ See Microsoft Corp. v. VirnetX, Inc., IPR2014-00404, Paper No. 13 (P.T.A.B. July 31, 2014) (Decision: Institution of Inter Partes Review); Microsoft Corp. v. VirnetX, Inc., IPR2014-00403, Paper No. 2 (P.T.A.B. July 31, 2014) (Decision: Institution of Inter Partes Review); Microsoft Corp. v. VirnetX, Inc., IPR2014-00614, Paper No. 9 (P.T.A.B. Oct. 15, 2014) (Decision: Institution of Inter Partes Review) (joining Microsoft Corp. v. VirnetX, Inc., IPR2014-00613); Microsoft Corp. v. VirnetX, Inc., IPR2014-00618, Paper No. 10 (P.T.A.B. Oct. 15, 2014) (Decision: Institution of Inter Partes Review) (joining Microsoft Corp. v. VirnetX, Inc., IPR2014-00615); Microsoft Corp. v. VirnetX, Inc., IPR2014-00610, Paper No. 9 (P.T.A.B. Oct. 15, 2014) (Decision: Institution of Inter Partes Review). Five of the cases subsequently settled without a final determination by the Board. See generally Microsoft Corp. v. VirnetX, Inc., IPR2014-00610; Microsoft Corp. v. VirnetX, Inc., IPR2014-00613; Microsoft Corp. v. VirnetX, Inc., IPR2014-00614; Microsoft Corp. v. VirnetX, Inc., IPR2014-00615; Microsoft Corp. v. VirnetX, Inc., IPR2014-00618.

³⁹⁴ See Microsoft Corp. v. VirnetX, Inc., IPR2014-00558, Paper No. 13 (P.T.A.B. July 23, 2014) (Decision: Denial of Inter Partes Review) (order denying IPR as untimely); Microsoft Corp. v. VirnetX, Inc., IPR2014-00405, Paper No. 10 (P.T.A.B. July 23, 2014) (Decision: Denial of Inter Partes Review) (same); Microsoft Corp. v. VirnetX, Inc., IPR2014-00401, Paper No. 10 (P.T.A.B. July 23, 2014) (Decision: Denial of Inter Partes Review) (same).

³⁹⁵ Microsoft Corp. v. VirnetX, Inc., IPR2014-00612, Paper No. 9 (P.T.A.B. Oct. 15, 2014) (Decision: Denial of Inter Partes Review); Microsoft Corp. v. VirnetX, Inc., IPR2014-00616, Paper No. 9 (P.T.A.B. Oct. 15, 2014) (Decision: Denial of Inter Partes Review).

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.

multiple pending requests into a single adjudicatory proceedings.³⁹⁷ 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."³⁹⁸ 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.³⁹⁹

One such instance is a patent owned by Zillow, an online real estate database that is directed to online valuation of real estate.⁴⁰⁰ In October 2012, Microstrategy, Inc. filed an IPR request with respect to each of the forty claims in Zillow's patent.⁴⁰¹ 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,"⁴⁰² 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.⁴⁰³ On March 27, 2014, the Board cancelled twenty-five of the twenty-nine litigated claims and upheld the remaining four.⁴⁰⁴ 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.

⁴⁰⁰ See U.S. Patent No. 7,970,674 (filed Feb. 3, 2006) (issued June 28, 2011).

⁴⁰¹ See *MicroStrategy, Inc. v. Zillow, Inc.*, IPR2013-00034, Paper No. 2 (P.T.A.B. Oct. 26, 2014) (Petition for Review).

⁴⁰² *About Us*, MICROSTRATEGY, <https://www.microstrategy.com/us/about-us/overview>, archived at <https://perma.cc/2LC8-Y56G?type=image> (last visited Apr. 11, 2015).

⁴⁰³ *MicroStrategy, Inc. v. Zillow, Inc.*, IPR2013-00034, Paper No. 17, at 26–27 (P.T.A.B. Apr. 2, 2013) (Decision: Institution of Inter Partes Review) (granting IPR in part and denying in part).

⁴⁰⁴ *MicroStrategy, Inc. v. Zillow, Inc.*, IPR 2013-00034, Paper No. 42, at 42–43 (P.T.A.B. Mar. 27, 2014) (Final Written Decision).

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-

⁴⁰⁵ See *Trulia, Inc. v. Zillow, Inc.*, CBM2014-00115, Paper No. 3 (P.T.A.B. Apr. 10, 2014) (Petition for Review).

⁴⁰⁶ Compare *Trulia, Inc. v. Zillow, Inc.*, CBM2014-00115, Paper No. 3 (P.T.A.B. Apr. 10, 2014) (Petition for Review), with *MicroStrategy, Inc. v. Zillow, Inc.*, IPR2013-00034, Paper No. 17, at 26–27 (P.T.A.B. Apr. 2, 2013) (Decision: Institution of Inter Partes Review) (granting IPR in part and denying in part).

⁴⁰⁷ Trulia had another CBMR petition already pending before the PTAB. See *Trulia, Inc. v. Zillow, Inc.*, CBM2013-00056, Paper No. 13 (P.T.A.B. Mar 10, 2014) (Order: Institution of CBMR). When the PTAB granted the new petition, it joined it to the previous one. See *Trulia, Inc. v. Zillow, Inc.*, CBM2014-00115, Paper No. 8, at 20 (P.T.A.B. May 1, 2014) (Order: Institution of CBMR).

⁴⁰⁸ See *id.*

⁴⁰⁹ See, e.g., U.S. Patent No. 8,001,096 (filed Oct. 31, 2007) (issued Aug. 16, 2011); U.S. Patent No. 7,945,544 (filed Oct. 31, 2007) (issued May 17, 2011); U.S. Patent No. 7,945,539 (filed Oct. 31, 2007) (issued May 17, 2011); U.S. Patent No. 7,949,662 (filed Dec. 23, 2003) (issued May 24, 2011); U.S. Patent No. 6,415,280 (filed Apr. 1, 1999) (issued July 2, 2002); U.S. Patent No. 5,978,791 (filed Oct. 24, 1997) (issued Nov. 2, 1999).

⁴¹⁰ See *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00087, Paper No. 5 (P.T.A.B. Dec. 17, 2012) (Petition for Review); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00086, Paper No. 1 (P.T.A.B. Dec. 16, 2014) (Petition for Review); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00085, Paper No. 5 (P.T.A.B. Dec. 16, 2014) (Petition for Review); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00084, Paper No. 3 (P.T.A.B. Dec. 16, 2014) (Petition for Review); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00083, Paper No. 6 (P.T.A.B. Dec. 15, 2012) (Petition for Review); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00082, Paper No. 6 (P.T.A.B. Dec. 15, 2012) (Petition for Review).

lenged patents.⁴¹¹ The Board invalidated ten claims (out of a total of forty-eight) in one patent⁴¹² and two (out of a total of fifty-five)⁴¹³ claims in the second patent. The patentee appealed the Board's decision to the Federal Circuit.⁴¹⁴ While the appeal was pending, another challenger filed additional IPR requests against both patents.⁴¹⁵ These new requests challenged the already cancelled claims, as well as some claims that were previously not subject to an IPR.⁴¹⁶

At the first glance, seeking review of already cancelled claims may seem odd, or at least superfluous. Given that claims once held unpatentable cannot be asserted against *any* party,⁴¹⁷ 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.⁴¹⁸ This allows the challengers to keep any claim under a cloud of uncertainty for a potentially indefinite period.⁴¹⁹

⁴¹¹ See *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00083, Paper No. 80 (P.T.A.B. Mar. 5, 2015) (Final Written Decision); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00082, Paper No. 83 (P.T.A.B. Mar. 5, 2015) (Final Written Decision). The Board also invalidated claims in the other four patents, but they are not relevant for the present discussion. See generally *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00087, Paper No. 69 (P.T.A.B. Mar. 5, 2015) (Final Written Decision); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00086, Paper No. 66 (P.T.A.B. Mar. 5, 2015) (Final Written Decision); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00085, Paper No. 73 (P.T.A.B. Mar. 5, 2015) (Final Written Decision); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00084, Paper No. 64 (P.T.A.B. Mar. 5, 2015) (Final Written Decision).

⁴¹² *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00082, Paper No. 83, at 66 (P.T.A.B. Mar. 5, 2015) (Final Written Decision).

⁴¹³ *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00083, Paper No. 80, at 42 (P.T.A.B. Mar. 5, 2015) (Final Written Decision).

⁴¹⁴ See *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00082, Paper No. 84, (P.T.A.B. Mar. 20, 2015) (Patent Owner's Notice of Appeal); *EMC Corp. v. PersonalWeb Tech., LLC*, IPR2013-00083, Paper No. 81, (P.T.A.B. Mar. 20, 2015) (Patent Owner's Notice of Appeal)

⁴¹⁵ See *Google, Inc. v. PersonalWeb Tech., LLC*, IPR2014-00980, Paper No. 1 (P.T.A.B. June 18, 2014) (Petition for Review); *Google, Inc. v. PersonalWeb Tech., LLC*, IPR2014-00977, Paper No. 1 (P.T.A.B. June 18, 2014) (Petition for Review).

⁴¹⁶ Compare *Google, Inc. v. PersonalWeb Tech., LLC*, IPR2014-00980, and *Google, Inc. v. PersonalWeb Tech., LLC*, IPR2014-00977, with *supra* notes 412-413 and accompanying text (EMC Corporation's IPR challenges to the '791 and '280 patents).

⁴¹⁷ See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 330-50 (1971).

⁴¹⁸ See *Taylor v. Sturgell*, 553 U.S. 880, 893 (2008) (stating that non-parties are generally not bound by judgments of the federal courts).

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.⁴²⁰ What is interesting is that the “new” claims⁴²¹ 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.⁴²² 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,⁴²³ judges may stay the infringement action while the IPR is ongoing.⁴²⁴ That is exactly what happened to PersonalWeb’s infringement actions.⁴²⁵ 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.⁴²⁶ But, that may be insufficient to compensate a patent owner.⁴²⁷ And the longer

is one of uncertainty for a trademark applicant. He can choose to launch his product or service with an unregistered mark, but doing so could mean losing any investments in advertising and marketing associated with a potential registration refusal and a subsequent change in marks.”).

⁴²⁰ See *supra* note 415 and accompanying text.

⁴²¹ The claims are not new in a sense that they were recently added, but in a sense that they are new to the IPR proceedings. Both sets of claims were part of the same patent and issued at the same time.

⁴²² See *supra* note 416 and accompanying text.

⁴²³ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428–29 (Fed. Cir. 1988).

⁴²⁴ See Yasser El-Gamal et al., *The New Battlefield: One Year of Inter Partes Review Under the America Invents Act*, 42 *AIPLA Q.J.* 39, 55 (2014) (tabulating district courts’ receptiveness to motions to stay in light of a parallel IPR proceeding).

⁴²⁵ See *PersonalWeb Tech., LLC v. Facebook, Inc.*, No. 5:13-CV-01356-EJD, 2014 WL 116340, at *6 (N.D. Cal. Jan. 13, 2014) (granting motion to stay pending IPR review).

⁴²⁶ See Janis, *supra* note 54, at 67 (noting that recovery of damages for past infringement is precluded only if the claim was modified during reexamination); Mercado, *supra* note 133, at 574 (indicating that, according to the PTO Commissioner, “patentees may continue to enforce their patents” during a reexamination proceeding).

⁴²⁷ Cf. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (recognizing that damages may not always be an adequate remedy for patent infringement). The courts may not be able to enjoin ongoing infringement even *after* the patentee has prevailed at trial so long as the patent is in some sort of post-issuance proceedings. See *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 996 F.2d 1236, 1236 (Fed. Cir. 1993) (per curiam) (holding that injunction should be stayed pending completion of reexamination). *But see MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 591 (E.D. Va. 2007) (holding that absent the final PTO decision on reexamination a stay of permanent injunction is inappropriate).

owners have to wait, the less adequate the eventual monetary compensation is likely to be.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.

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.⁴²⁹ Nor was the challenger an RPX-like company that has patent invalidation as one of its stated goals.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 seek an IPR of Zillow’s patent, for there is no standing requirement to initiate such a procedure.⁴³¹ But as an economic matter, the decision seems illogical. Zillow’s responsive pleading, however, resolves this mystery.⁴³²

As it turns out, Microstrategy was involved in another, entirely unrelated patent litigation against an unrelated third party on an unrelated patent.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.⁴³⁴ During the course of negotiations between VSi and Microstrategy, Microstrategy threatened that unless the infringement lawsuit against them was

⁴²⁸ In the meantime, the owner may lose market share and name recognition.

⁴²⁹ See *supra* note 402 and accompanying text.

⁴³⁰ See *supra* note 374 and accompanying text.

⁴³¹ 35 U.S.C. § 311(a) (2012).

⁴³² See *MicroStrategy, Inc. v. Zillow, Inc.*, IPR2013-00034, Paper No. 16, at 4–5 (P.T.A.B. Feb. 15, 2013) (Patent Owner Preliminary Response).

⁴³³ See Order Denying Motion for Sanctions, *Vasudevan Software, Inc. v. Microstrategy, Inc.*, No. 3:11-CV-06637-RS, at 2–4 (N.D. Cal. Mar. 8, 2013), Doc. 172. Microstrategy “essentially conceded[ed] that it has “no legitimate business interest in the validity of the Zillow patent.” *Id.* at 4.

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.⁴³⁵ When VSi's lawsuit was not dropped, Microstrategy followed through on its threat and filed a petition for IPR against Zillow.⁴³⁶ The petition ultimately resulted in the invalidation of twenty-five out of forty claims in Zillow's patent.⁴³⁷ 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.⁴³⁸ 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.⁴³⁹ 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.⁴⁴⁰ It was not about attempting, in good faith, to prove that any of the claims at issue were invalid because of anticipation or obviousness.⁴⁴¹ 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

⁴³⁵ *Id.*

⁴³⁶ *Id.*

⁴³⁷ See *supra* note 403 and accompanying text.

⁴³⁸ 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 *inter partes* reexamination was abolished and replaced by IPR. See *supra* note 108 and accompanying text.

⁴³⁹ 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, ordered VSi's patents into reexamination.

⁴⁴⁰ See *id.* at 2–4 (describing the facts as "largely undisputed").

⁴⁴¹ 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.

anticancer therapies that meaningfully improve the lives of patients.”⁴⁴² 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.⁴⁴³ The relationship between ImmunoGen and its licensee was quite productive.⁴⁴⁴

At some point, Genentech was sued by another company, Phigenix, Inc.,⁴⁴⁵ which holds a patent on the method of treating a certain type of breast cancer.⁴⁴⁶ 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.⁴⁴⁷ In addition to suing Genentech, however, Phigenix also filed an IPR request against ImmunoGen’s patents.⁴⁴⁸ 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

⁴⁴² *Mission*, IMMUNOGEN, INC., <http://www.immunogen.com/mission-and-vision>, archived at <http://perma.cc/WD63-HUWV> (last visited Apr. 11, 2015).

⁴⁴³ See U.S. Patent No. 8,337,856 (filed Dec. 3, 2007) (issued Dec. 25, 2012); U.S. Patent No. 7,575,748 (filed July 17, 2006) (issued Aug. 18, 2009).

⁴⁴⁴ See *Kadcyla*, IMMUNOGEN, INC., (Jan. 5, 2015), <http://www.immunogen.com/kadcyla>, archived at <http://perma.cc/3BZQ-YJU4> (describing the anti-cancer product that is the result of Genentech’s and ImmunoGen’s joint efforts).

⁴⁴⁵ See Complaint, *Phigenix, Inc. v. Genentech, Inc.*, No. 1:14-cv-00287-RWS, at 5–9 (N.D. Ga. Jan. 31, 2014).

⁴⁴⁶ See U.S. Patent No. 8,080,534 (filed Feb. 18, 2010) (issued Dec. 20, 2011).

⁴⁴⁷ See Complaint, *Phigenix*, No. 1:14-cv-00287-RWS, at 5–9.

⁴⁴⁸ See *Phigenix Inc. v. Immunogen, Inc.*, IPR2014-00842, Paper No. 1 (P.T.A.B. May 29, 2014) (Petition for Review) (challenging U.S. Patent No. 7,575,748); *Phigenix Inc. v. Genentech, Inc.*, IPR2014-00676, Paper No. 1 (P.T.A.B. Apr. 22, 2014) (Petition for Review) (challenging U.S. Patent No. 8,337,856).

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-

quirements for bringing a declaratory judgment invalidity action). The upshot is that the IPR system encourages *proliferation* of disputes and therefore costs, rather than reduction in either.

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 defraud 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.

⁴⁵¹ ARGUMENTS BEFORE THE COMM. ON PATENTS, H.R. MIS. DOC. 50, at 135 (2d Sess. 1878) (argument of J.J. Storrow).