

COMMENT

CREATING A VIABLE ALTERNATIVE: REFORMING PATENT REEXAMINATION PROCEDURE FOR THE SMALL BUSINESS AND SMALL INVENTOR

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INTRODUCTION

Once lauded for its utility in fostering scientific innovation, the United States patent system has endured considerable criticism over the past years. No longer are patents viewed solely as a driving force behind the development of technology; today they are utilized extensively as investment tools for large companies. In 2000, New Technologies Products, Inc. (NTP)¹ demanded that Research In Motion (RIM) pay licensing fees for use of NTP's wireless email technology in RIM's Blackberry device.² After five years of litigation, RIM agreed to pay NTP a settlement of \$612.5 million in order to avoid an injunction on the wireless service RIM provided to its Blackberry users.³ The Blackberry case, although certainly one of the most notable, is just one of many instances where so-called "patent trolls" have exploited companies and the U.S. patent system for profit, without the expectation or purpose of developing or advancing any new type of technology.⁴ Although patents function on one level as federally licensed monopolies, they also serve to encourage innovation and research for the betterment of competition and

1. See Kim Eisler, *Blackberry Blues*, WASHINGTONIAN, Sept. 1, 2005, <http://www.washingtonian.com/articles/businesscareers/1758.html> (discussing generally the NTP litigation).

2. See *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1325 (Fed. Cir. 2005) (holding that Research In Motion's (RIM) Blackberry device and service infringed NTP's wireless email patents).

3. CBSNews.com, *Settlement Ends Blackberry Patent Suit*, Mar. 4, 2006, <http://www.cbsnews.com/stories/2006/03/03/tech/main1368894.shtml> (discussing the settlement in the NTP case and noting that the settlement figure of \$612.5 million was on the low end considering that no agreement for future royalties was involved).

4. See David G. Barker, *Troll or No Troll? Policing Patent Usage With An Open Post-Grant Review*, DUKE L. & TECH. REV., Apr. 2005, at ¶ 7, available at <http://www.law.duke.edu/journals/dltr/articles/2005dltr0009.html> (defining the term "patent troll" as a business that accumulates patents with the exclusive purpose of seeking settlements from large companies and implying the unfairness of this practice). NTP, Inc. would certainly meet this qualification. NTP, Inc., founded by a patent attorney, is a holding company that focuses exclusively on the development of its patent-portfolio with the purpose of extracting licensing fees and settlements from companies wishing to use its technologies. See Ian Austen & Lisa Guernsey, *A Payday For Patents 'R' Us*, N.Y. TIMES, May 2, 2005, <http://www.nytimes.com/2005/05/02/technology/02patent.html?ei=5088&en=21b9a37a48136f11&ex=1272686400&partner=rssnyt&emc=rss&pagewanted=all&position=> (discussing the foundation of NTP, Inc. by Donald Stout, who started the company with a series of wireless-email patents).

the economy.⁵ The recent onslaught of patent trolls has prompted businesses and legislators to call for patent reform.⁶

However, the voices of the small inventor, the group for whom the patent system was originally intended, are increasingly lost in the debate and calls for change.⁷ Today, the ability to compete extends far beyond acquiring the money and resources necessary to produce and market a product.⁸ Start-ups and small businesses also need to consider the legal costs associated with the desired, yet burdensome, success.⁹ In a society where major corporations engage in the development of extensive patent portfolios, new businesses must give careful consideration to whether their products infringe on existing patents.¹⁰ The costs of litigating a patent infringement dispute are often quite substantial and can thus be prohibitive for a small inventor or small business.¹¹

5. See 35 U.S.C. § 101 (2000) (providing that “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title”); see also 1 DONALD S. CHISUM, CHISUM ON PATENTS § 1.01 (2007) (highlighting that the goal of permitting patent protection is to provide an incentive for technological development by promoting useful arts and applied technology while limiting monopolies).

6. See generally ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT 2 (2004) [hereinafter INNOVATION AND ITS DISCONTENTS] (referring to the recent changes in patent procedures that effectively allow patent holders to manipulate claim language in order to achieve a broader coverage than what should be allowed); Doug Harvey, Comment, *Reinventing the U.S. Patent System: A Discussion of Patent Reform Through an Analysis of the Proposed Patent Reform Act of 2005*, 38 TEX. TECH. L. REV. 1133, 1172-77 (2006) (referring to problems with the current patent system, including its lack of protection for universities accused of infringement and the general disregard for the small inventor); Frank M. Washko, Current Development, *Should Ethics Play a Special Role in Patent Law?*, 19 GEO. J. LEGAL ETHICS 1027, 1028 (2006) (emphasizing the ethical concerns posed by the practices of large businesses of developing extensive patent portfolios and effectively monopolizing certain areas of technology).

7. See U.S. CONST. art. I, § 8, cl. 8 (conferring upon Congress the power to grant inventors exclusive rights for the use of their work in order to encourage technological development); see also Daniel Hamberg, *Invention in the Industrial Research Laboratory*, 71 J. POL. ECON. 95, 96 (1963) (postulating that a substantial portion of the major inventions in the first half of the twentieth century were the products of independent inventors and small firms, rather than large, industrial laboratories).

8. See Marvin Motsenbocker, *Proposal to Change the Patent Reexamination Statute to Eliminate Unnecessary Litigation*, 27 J. MARSHALL L. REV. 887, 887 (1994) (discussing the high costs associated with a jury trial and the inability of a small business to endure such a burden).

9. See Hal Meyer, *David Beats Goliath*, PATENT CAFE MAG., Dec. 15, 1997, <http://www.ipfrontline.com/depts/article.asp?id=107&deptid=3> (demonstrating the leverage that large companies have over small inventors by noting that the perspective of many large corporations seems to be: “[W]hy pay for an idea, when we can steal it? Especially when the only way anybody can prove we stole it is to undertake a lengthy and expensive lawsuit, in which we outnumber them by overwhelming odds.”).

10. See *id.* (exemplifying how patent procurement is rarely the only legal cost associated with selling a new product).

11. See Motsenbocker, *supra* note 8, at 887 (estimating the costs of jury trial litigation at up to \$100,000 per day).

An alternative method for the resolution of patent disputes is patent reexamination, a process in which the Patent and Trademark Office (PTO) conducts a reassessment of a patent's validity at the request of anyone, including a third-party.¹² However, reexamination has been less effective than originally intended for two principal reasons: (1) collateral estoppel prevents the requesting party from raising issues in subsequent litigation that "could have [been] raised during the inter partes reexamination proceedings," but were neglected;¹³ and (2) companies, through what could be termed an exploitation of the amendment process, assert a different scope¹⁴ with regard to the disputed patent, thereby achieving a beneficial interpretation for their cause.¹⁵

This Comment argues for the establishment of procedural revisions to transform reexamination into a more practical and effective option for small businesses and small inventors. Part II provides a background on the history of reexamination. Part III discusses the shortcomings of reexamination in fulfilling its designated purpose of providing a viable alternative to patent litigation, particularly for smaller businesses. Part IV advocates two changes to resolve or curb the shortfalls of reexamination: (1) the establishment of an administrative estoppel provision within a post-reexamination phase to prohibit the patent holder from asserting a different scope than what was claimed in the initial examination phase; and (2) the expanded use of Director-ordered reexamination for situations involving potentially unbalanced proceedings between financially disparate parties.

I. BACKGROUND ON REEXAMINATION

Reexamination is a process administered by the PTO to determine the validity of a previously issued patent.¹⁶ Congress created the first reexamination procedure in the Patent Act of 1980.¹⁷ Reexamination purportedly serves three goals: (1) reexamination based on new "prior

12. See 35 U.S.C. § 302 (2000) (permitting any person to request reexamination of a patent). A third-party requester refers to anyone other than the Patent and Trademark Office (PTO) or the patent holder. See Michael J. Mauriel, *Patent Reexamination's Problem: The Power to Amend*, 46 DUKE L.J. 135, 140 (1996) (highlighting how the primary parties to any prosecution or reexamination proceeding are really the PTO and the patent applicant).

13. 35 U.S.C. § 315 (2000).

14. See *infra* notes 69-75 and accompanying text.

15. See Mauriel, *supra* note 12, at 145-46 (highlighting how patent holders frequently abuse the amendment process by modifying the scopes of their claims). Essentially, this modification allows the patent holder to shift the scope of his claim to coincide with the art of the accused. Although prohibited in practice, these changes in scope occur due to the difficulty in determining which alterations to a claim are permissible and which go too far. *Id.*

16. See 35 U.S.C. §§ 301-307 (2000) (defining the reexamination procedure).

17. *Id.*

art”¹⁸ can resolve validity disputes more quickly than litigation; (2) courts can rely on the expertise of the PTO in analyzing the presence of new “prior art”; and (3) reexamination can strengthen pre-existing patents.¹⁹ Any third-party may initiate reexamination of a patent with regard to new issues of prior art.²⁰ Thus, reexamination of a patent on the same grounds as the initial examination is prohibited.²¹ Occasionally, the PTO will grant reexaminations based upon the Director’s discretion in cases that have a substantial societal or economic effect, but these instances have been rare.²²

A. *Ex Parte* Reexamination

Ex parte reexamination is the original form of reexamination created by Congress through the Patent Act of 1980.²³ A third-party may make a request for ex parte reexamination on a “substantially new question of patentability” based on new prior art.²⁴ The law defines new “prior art” as new information related to technology, in existence at the time of initial review, that was neglected in the examination process.²⁵ If the PTO grants

18. Prior art is a broad term used to refer to technical information within the public sphere. BLACK’S LAW DICTIONARY 119 (8th ed. 2004) (defining “prior art” as “[k]nowledge that is publicly known, used by others, or available on the date of invention to a person of ordinary skill in an art, including what would be obvious from that knowledge”). An invention must be new and non-obvious in light of prior art in order to be patentable. See 35 U.S.C. §§ 102-103 (2000). Therefore one method of challenging the validity of a patent is to present *new* prior art—prior art that was erroneously omitted during the prosecution of the patent.

19. See 126 CONG. REC. 29,895 (1980) (statement of Rep. Kastenmeier) (noting that the bill has four major thrusts, the first being that “it strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination”); see also *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985) (articulating how the purpose of the reexamination procedure was to restore confidence in the PTO by providing a method through which to remedy administrative errors).

20. See 35 U.S.C. § 303(a) (2000) (stipulating that reexamination of a patent can only take place if there is a new issue of patentability). In theory, reexamination would be a practical tool for small businesses seeking to determine whether their products infringe on existing patents or to question the validity of patents which they have been accused of infringing. See also Motsenbocker, *supra* note 8, at 887 (exemplifying how the cost of patent litigation can be extremely burdensome for a small business).

21. 35 U.S.C. § 303(a).

22. See, e.g., *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1325 (Fed. Cir. 2005) (offering an example where following the initial settlement and pending injunction on RIM, the PTO granted an ex parte reexamination on four of NTP’s patents). The reexamination in this case was not requested by a third-party (RIM), but rather the PTO for what it deemed substantial public and social concerns. See J. Scott Orr, *Congress Enters Struggle Over Blackberry Patent*, NEWHOUSE NEWS SERV., Feb. 2003, <http://newhouse.live.advance.net/archive/orr022003.html> (providing a summary of the events surrounding the settlement in the NTP case, including Congress’s interest in preventing an injunction).

23. See 35 U.S.C. §§ 301-307 (2000) (defining the reexamination procedure).

24. *Id.*

25. 35 U.S.C. § 301; see also H.R. REP. NO. 96-1307, at 3 (1980) (explaining that § 301 makes clear that a citation of prior art is not to be included in the official file on a patent unless the “citer submits a written statement as to the pertinency and applicability to the patent”). The “substantial question of new prior art” requirement ensures that a reexamination will only be issued where it appears that the PTO has made a mistake during

the request, a reexamination on the accepted claims²⁶ will commence.²⁷ Although a third-party requester may initiate the process, the requester is substantially limited in his involvement.²⁸ Effectively, the requesting party may not participate in any stage of the reexamination, with the exception of responding to an optional response by the patent owner at the beginning of the proceeding.²⁹

B. *Inter Partes* Reexamination

In order to encourage greater use of reexamination, Congress passed the American Inventor's Protection Act of 1999, which created the inter partes reexamination procedure.³⁰ Inter partes reexamination follows a similar rubric to its ex parte counterpart.³¹ Third parties may still request reexamination of a patent on new issues of prior art. However, unlike in an ex parte proceeding, a third-party seeking an inter partes reexamination may participate throughout the process, including the appeals process.³² In essence, inter partes reexamination permits the requester to respond to the patent owner's arguments.³³ In theory, an inter partes reexamination would result in a higher percentage of invalidations. In recognition of this fact,

the patent prosecution process. New prior art is essentially anything at the time of prosecution that should have prevented the patent from being issued in its current form. See Mauriel, *supra* note 12, at 140 (commenting on the curative purpose of reexamination).

26. A claim consists of specifications of the invention in question. These specifications contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

35 U.S.C. § 112 (2000).

27. 35 U.S.C. § 304.

28. See 35 U.S.C. §§ 134(c), 141, 145, 306 (2000) (describing appeals limitations for third-party requesters). Ex parte reexamination has garnered considerable scrutiny for this limitation. See generally INNOVATION AND ITS DISCONTENTS, *supra* note 6, at 2-3 (discussing the costs and benefits associated with changes in U.S. patent policy).

29. See INNOVATION AND ITS DISCONTENTS, *supra* note 6, at 2 (commenting on the "alarming growth in legal wrangling over patents").

30. 35 U.S.C. §§ 311-318 (2000). See 145 Cong. Rec. E1788, E1790 (daily ed. Aug. 5, 1999) (statement of Rep. Coble) (identifying the purpose of inter partes reexamination as an alternative, in addition to ex parte reexamination, to costly civil litigation); see also Eric B. Chen, *Applying the Lessons of Re-Examination to Strengthen Patent Post-Grant Opposition*, 10 COMP. L. REV. & TECH. J. 193, 195-96 (2006) (discussing the purpose of the inter partes reexamination procedure as an alternative method to ex parte reexamination).

31. See David M. O'Dell & David L. McCombs, *The Use Of Inter Partes and Ex Parte Reexamination in Patent Litigation* (Hayes & Boone, LLP, Dallas, Tex.), Feb. 2006, at 5-6, http://www.martindale.com/corporate-law/article_Haynes-Boone-LLP_215600.html [hereinafter *Reexamination in Patent Litigation*] (describing the inter partes reexamination process, and revealing that its initiation stage and requirements, such as the new prior art restriction, are principally the same as those in an ex parte reexamination and that the notable difference is within the level of participation of the third-party requester as well as the estoppel provision precluding an assertion of the invalidity of a claim deemed to be valid in the proceeding).

32. 35 U.S.C. § 302 (2000).

33. *Id.*

patent holders actually opt for ex parte reexamination as a way to validate and thus strengthen an already existing patent.³⁴ In a way, it seems that inter partes reexamination was tailor-made for third-party requesters. Unfortunately, however, inter partes reexamination has not garnered the participation intended by Congress.³⁵ This under-utilization is largely due to a collateral estoppel provision, which in civil litigation prevents any requesting third-party from raising any issue that the requester raised or could have raised during the inter partes reexamination.³⁶

C. Director-Ordered Reexamination

The Manual of Patent Examining Procedure (MPEP) permits the Director of the PTO to order a reexamination based on new prior art discovered by anyone, including himself.³⁷ Such instances are rare, but do occur where there is a substantial public policy interest. For example, in the RIM (Blackberry) case, the Director of the PTO, perhaps in response to an outcry from Congress, ordered a reexamination of NTP's patents.³⁸ The public policy considerations in that case were understandable, given the nature of the product involved and its widespread use.³⁹ However, the PTO has seldom found such strong public policy interests to warrant reexamination.⁴⁰

34. See Paula Heyman, *Using Your Patent Portfolio to Defend Against a Patent Infringement Suit*, INTELL. PROP. REP. (Baker Botts, LLP, Austin, Tex.) Apr. 2005, available at http://www.bakerbotts.com/file_upload/HeymanArticle.htm (discussing how reexaminations can be a valuable tool for the patent holder in that they "may also be used in a precursive attempt to bolster a company's own patents").

35. See Amy L. Magas, Comment, *When Politics Interfere With Patent Reexamination*, 4 J. MARSHALL REV. INTELL. PROP. L. 160, 166 (2004), available at <http://www.jmripl.com/Vol4/Issue1/magas.pdf> (discussing the potential for abuse in the current reexamination process and suggesting the need for reform).

36. See 35 U.S.C. § 315(c) (2000). The collateral estoppel provision, despite its drawbacks, encourages the use of reexamination over litigation. This provision effectively prohibits the re-litigation of issues, which surely would happen in instances involving businesses who are willing to expend significant resources in court. It would be to the advantage of a large business to hedge its bets by considering both. See also Mauriel, *supra* note 12, at 138 (discussing the collateral estoppel provision included in the inter partes reexamination procedure and emphasizing the positives of the provision in furthering Congress's goal of establishing reexamination as a substitute rather than an "add-on" to litigation).

37. See MANUAL OF PATENT EXAMINING PROCEDURE § 2212 (2006) ("[T]here are no persons who are excluded from being able to seek reexamination."); see also 35 U.S.C. § 302 (2000) ("Any person at any time may file a request for reexamination.").

38. See Orr, *supra* note 22 (detailing the reaction of Congress to the settlement and impending injunction on RIM's line of Blackberry products in light of the fact that Congressional lawmakers had been issued such devices prior to the settlement). This article highlights a letter sent from Congress to the PTO. The reexamination ordered by the PTO Director, former Republican Rep. James Rogan of California, was supposedly made prior to the receipt of the letter. *Id.*

39. *Id.*

40. See Magas, *supra* note 35, at 168 (discussing the rarity of Director-ordered reexaminations and implying how they are typically reserved for high profile cases).

D. Reexamination's Amendment Process

Unlike litigation where any alterations to the patent claims are prohibited, a patent holder may make changes to patent claims during the reexamination stage.⁴¹ The reason for this difference is rooted in the similarity between patent reexamination and patent prosecution (i.e., the initial examination process through which a patent is first granted).⁴² Patent prosecution involves the creation of the patent itself.⁴³ The PTO and the patent applicant engage in a back and forth dialogue regarding the merits of the application. If the PTO rejects an applicant's patent claim, the applicant may amend his application and re-submit.⁴⁴ The customary practice is for the applicant to submit a broad claim and then to narrow it based on the input and suggestions of the PTO.⁴⁵ Reexamination is viewed as a continuation of this process rather than a true evaluation of a patent's validity.⁴⁶ Therefore, reexamination addresses the errors committed during the initial examination phase.⁴⁷ Consistent with the "examination" process, the patent holder may amend his claim in a reexamination just as he was permitted to do during the prosecution of the patent.⁴⁸ Unlike litigation, the party challenging the patent in a reexamination is the PTO itself and not a third-party or defendant to an infringement action.⁴⁹

II. THE SHORTFALLS OF REEXAMINATION

Despite Congress's attempt to provide attractive alternatives for the resolution of patent infringement disputes, interested parties have not exercised these methods to the extent originally intended.⁵⁰ Because third

41. See Mauriel, *supra* note 12, at 139-41 (explaining the patent holder's ability to amend claims in the reexamination process).

42. See *id.* at 143 (noting the use of the broadest reasonable construction standard in the PTO's analysis of a patent as the reason for permitting patent holders to amend their claims).

43. See *id.* at 139-40 (noting how the initial "examination" stage involves an ongoing discussion between the patent holder and the PTO in order to develop a patent that is not overly broad).

44. 35 U.S.C. § 305 (2000).

45. See Mauriel, *supra* note 12, at 140 (discussing the use of amendments to address concerns raised by the PTO during the prosecution or reexamination of a patent).

46. See *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (discussing reexamination's purpose of curing some of the defects from the initial examination stage). This is contrary to what is done in a court proceeding where the court tries to evaluate the patent's validity; the patent is presumed valid in this instance. *Id.*

47. *Id.*

48. See Mauriel, *supra* note 12, at 140 (discussing the necessity for the amendment process within the reexamination process due to the fact that reexamination implies that the patent prosecution process is still open).

49. See *Etter*, 756 F.2d at 857-58 (contrasting the role of the third-party requester in a reexamination with that of a litigant in an infringement dispute).

50. See Dale L. Carlson & Jason Crain, Speech, *Reexamination: A Viable Alternative to Patent Litigation?*, 3 YALE SYMP. L. & TECH. 2, 6-7 (2000) (examining the paltry use of

parties are unable to actively participate throughout the process, *ex parte* reexamination is only attractive as a supplement, rather than as a substitute, to civil litigation.⁵¹ Similarly, the presence of an estoppel provision prohibiting one from claiming the invalidity of a patent that was determined valid during reexamination makes *inter partes* reexamination a risky option, despite the ability of the requester to actively participate in the reexamination process.⁵² Even Director-ordered reexamination, which one would expect to see fairly often given the percentage of issued patents later found to be invalid, has seen limited use. In short, reexamination does not appear to be fulfilling its purpose.

A. Ineffectiveness of Ex Parte and Inter Partes Reexamination

Because of the third-party requester's inability to participate actively in the proceedings, *ex parte* reexamination is not a particularly attractive option.⁵³ This drawback prompted Congress to institute the *inter partes* reexamination procedure, which permits the active participation of the third-party requester during the reexamination process.⁵⁴ However, a collateral estoppel provision that prohibits the requester from raising any issue regarding a patent's validity that has been raised during reexamination, including *inter partes* reexamination, has not garnered the use Congress had hoped for when it enacted the statute.⁵⁵ Consequently, *inter partes* reexamination is not used as a true alternative.⁵⁶ It is more beneficial for a defendant to litigate the matter and resort to reexamination

reexamination procedures since their inception despite the intention not only to supplement civil litigation in patent disputes but to substitute for it as well).

51. See Betsy Johnson, Comment, *Plugging the Holes in the Ex Parte Reexamination Statute: Preventing a Second Bite at the Apple for a Patent Infringer*, 55 CATH. U. L. REV. 305, 315 (2005) (addressing the ineffectiveness of reexamination procedures due to the failure to allow participation of the third-party requester in a practical manner).

52. See *Reexamination in Patent Litigation*, *supra* note 31, at 5-6 (highlighting the risks of *inter partes* reexamination despite the theoretical benefits to a third-party requester).

53. See Magas, *supra* note 35, at 166 (stressing the shortfalls of *ex parte* reexamination).

54. See Mauriel, *supra* note 12, at 138 (discussing the purpose of *inter partes* reexamination within the scope of the Reform Act before its passage).

55. See Magas, *supra* note 35, at 164 (articulating the precarious situation that the *inter partes* reexamination procedure's estoppel provision places on third-party requesters who want to be involved in the process but do not want an unfavorable reexamination proceeding to preclude them from litigation).

56. *But see* Patlex Corp. v. Mossinghoff, 758 F.2d 594, 602 (Fed. Cir. 1985) (noting the intent of the reexamination procedures to act as an alternative to litigation for patent infringement disputes, and restore confidence in the PTO).

only if his chances of success in the courtroom appear bleak.⁵⁷ Unfortunately, not everyone has the luxury of playing the “wait and see” game; instead, many are left with a “take it or leave it” scenario.⁵⁸

B. *Restrained Use of Director-Ordered Reexamination*

The Director of the PTO has the power to order an ex parte reexamination when a patent appears to be overly broad or when pending litigation or a dispute has substantial societal effects.⁵⁹ These Director-ordered proceedings bring to light an important consideration: the fact that the PTO has the authority to reexamine patents previously presumed to be valid indicates that there is a legitimate policy interest in making a precise determination on these issues.⁶⁰

The use of Director-ordered reexamination has been limited.⁶¹ To date, the procedure has been reserved for cases involving large companies with substantial amounts of money at stake.⁶² While it is understandable that the potential shutdown of a service used in the daily course of business by millions (including Congress) presents a public policy concern,⁶³ it should not be the sole instance where such concerns receive attention.⁶⁴ Given the policy goal of the patent system to foster the development of technology, it appears likely that the PTO would arrange a procedure for helping the

57. See, e.g., *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005) (illustrating one of many instances where rich defendants in patent infringement disputes can afford trial and then resort to reexamination as a backup plan when needed). The use of reexamination and litigation combined is common for companies who can afford it. Unfortunately, this practice is in direct contrast to Congress’s intent. See also *Patlex*, 758 F.2d at 604 (commenting on Congress’s intent in enacting reexamination procedure).

58. But see, e.g., *NTP, Inc.*, 418 F.3d at 1282 (exemplifying a case where the two companies involved did have the resources to sustain a drawn out litigation process in court).

59. See, e.g., Orr, *supra* note 22 (discussing Director-ordered reexamination granted in the *NTP, Inc. v. RIM* case and emphasizing that a shutdown of RIM’s service would affect a substantial number of users).

60. See generally Donald W. Banner, *Patent Law Harmonization*, 1 U. BALT. INTELL. PROP. L.J. 9, 12 (1992) (implying that large corporations do not need the patent system, and would be perfectly fine without it).

61. See, e.g., Orr, *supra* note 22 (discussing the PTO’s initiation of reexamination in the *NTP, Inc. v. RIM* case where the impact of the impending injunction was deemed to have a substantial social impact).

62. See, e.g., *NTP, Inc.*, 418 F.3d at 1282 (providing an example of a patent infringement dispute between two large companies, where the resulting settlement was \$612.5 million).

63. See Orr, *supra* note 22 (discussing *NTP, Inc. v. RIM* and emphasizing that a shutdown of RIM’s service would affect a substantial number of users).

64. Director-ordered reexamination appears to be reserved for instances where the interest of the public is involved. But it would seem that the public has at least as strong an interest in the promotion and development of technology, as it has in the proper resolution of a dispute between two companies fighting over a large sum of money. See U.S. CONST. art. I, § 8, cl. 8 (articulating the policy goal of “promoting [the progress of] science and useful arts,” presumably for the general public).

small business or small inventor.⁶⁵ For the small business accused of patent infringement by a large company, reexamination of the patent in question would be the most logical step.⁶⁶ The Director-ordered reexamination would eliminate both the litigation costs as well as the almost \$9,000 fee for inter partes reexamination.⁶⁷ Unfortunately, the Director-ordered reexamination procedure is not aimed at advancing this policy concern.⁶⁸

C. Loopholes in the Amendment Process

In both the initial examination and reexamination stages, a patent claim receives the broadest reasonable interpretation.⁶⁹ The reasoning behind this standard is based upon the patent holder's ability to amend his claim.⁷⁰ By construing the language of a claim broadly, the PTO is more likely to discover conflicts between the claim and existing "prior art."⁷¹ The patent holder, through the amendment process, is thus able to clarify these ambiguities and narrow the scope⁷² of the patent accordingly.⁷³ In theory, the end result is a concise patent that does not overlap with any existing prior art.⁷⁴ The important issue with the amendment process in reexamination is the scope of this change.⁷⁵

65. *See id.*

66. *See* Motsenbocker, *supra* note 8, at 887 (emphasizing the high costs of litigation and implying the near impossibility for a small business to successfully compete against larger businesses in the courtroom).

67. *See Reexamination in Patent Litigation*, *supra* note 31, at 7-8 (discussing the \$8,800 cost of inter partes reexamination).

68. *See* Orr, *supra* note 22 (suggesting that the policy concerns necessary for Director-ordered reexamination may only be implicated in disputes involving large businesses).

69. *See In re Reuter*, 651 F.2d 751, 756 (C.C.P.A. 1981) (establishing that claims before the PTO receive "the broadest reasonable interpretation" because of the applicant's right to amend his claim and to make it more concise).

70. *See* Mauriel, *supra* note 12, at 139-40 (discussing the use of the amendment process as a method for the patent applicant to narrow the language of the claim, thus increasing the likelihood that the patent will be issued).

71. *See id.*

72. The term "scope" refers to the breadth of the technology mentioned in the patent claim. A claim whose language covers more of a technology than is necessary (i.e., extends past the technology actually covered by the invention in question) is said to be "broad." Thus by narrowing the scope of a patent claim, one can obtain a patent claim whose language does not overlap with existing patents or non-patentable public knowledge. The PTO has been routinely criticized for granting broad patents, which often do not hold upon in court or upon reexamination. *See generally* INNOVATION AND ITS DISCONTENTS, *supra* note 6, at 2 (commenting on the tendency of the PTO to grant overly broad patents and the ability of rich companies to exploit administrative procedures in order to obtain favorable rulings regarding patents).

73. *See* Mauriel, *supra* note 12, at 139-40 (describing the amendment process in the patent prosecution and reexamination processes).

74. *See id.*

75. *See generally id.* at 141 (discussing the problems with the use of the amendment process in reexamination and advocating for its elimination).

The reexamination statute states that “[n]o proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter.”⁷⁶ However, it is questionable whether this requirement is actually fulfilled in practice.⁷⁷ Technically, a substantive amendment to a claim has no retroactive effect.⁷⁸ An amendment is substantive if it changes the scope of the claim.⁷⁹ Unfortunately, it is difficult to accurately determine whether the patent holder has made a substantive change.⁸⁰ The failure to distinguish between a change of scope and a mere change in language has large ramifications, particularly for the third-party requester who wants to determine if his work will infringe on the patent and also for the requester already accused of patent infringement. In this instance, reexamination is transformed into a tool to effectively change a patent in order to match the relevant art of the potential infringer. After this occurs, the so-called infringer then has no legal recourse due to the collateral estoppel provision.⁸¹ There is no penalty or disincentive for effectively attempting to alter the scope of a claim to match the potentially infringing art.⁸²

III. REFORMING REEXAMINATION

Fundamentally, reexamination should be the preferred course of action.⁸³ In a court proceeding, the patent is presumptively valid, and the defendant in the infringement action must prove beyond a reasonable doubt that the patent is invalid.⁸⁴ By contrast, in reexamination proceedings, the challenging party only needs to prove the invalidity of the patent by a

76. 35 U.S.C. § 305 (2000).

77. See Mauriel, *supra* note 12, at 145-46 (commenting on the difficulty in preventing the patent holder from altering the scope of a claim through the amendment process). It would follow that those with the best legal representation would be able to achieve this alteration of scope, again giving the small business a disadvantage.

78. See Kaufman Co., Inc. v. Lantech, Inc., 807 F.2d 970, 976 (Fed. Cir. 1986) (stipulating that in the case of a substantive amendment “the patentee has *no* rights to enforce before the date of reissue”).

79. See *id.* (“[I]f the claims in the original and reissued patents are ‘identical,’ the reissued patent is deemed to have effect from the date of the original patent.”).

80. See Mauriel, *supra* note 12, at 146 (highlighting the difficulty in distinguishing between a mere clarification and a change in scope).

81. See *id.*

82. See *id.* (stipulating that the patent holder is free to alter the language of a claim as long as the scope does not change).

83. See Patlex Corp. v. Mossinghoff, 758 F.2d 594, 604 (Fed. Cir. 1985) (discussing the original intent of Congress in adopting *ex parte* and *inter partes* reexamination procedures, through which Congress hoped to curb the large number of patent dispute cases in light of the fact that a large number of patents are overly broad).

84. See *Reexamination in Patent Litigation*, *supra* note 31, at 5-6 (discussing the higher standard of proof in a court proceeding and thus the preference, in an ideal sense, for the use of reexamination over patent litigation).

preponderance of the evidence.⁸⁵ Reexamination proceedings are also more likely to result in predictable outcomes.⁸⁶ The PTO has experts with technical backgrounds who are better qualified to make validity determinations, whereas judges presumably lack the desired expertise.⁸⁷ Additionally, reexamination is considerably less expensive for the requester than civil litigation and generally takes less time as well.⁸⁸

The benefits for the small business or start-up are thus quite evident.⁸⁹ For a small business being sued for patent infringement by a mega-corporation holding an extensive patent portfolio, reexamination would theoretically be ideal.⁹⁰ The hybridist approach that larger companies have taken is not as viable an option for smaller entities that are just bringing their product to market.⁹¹ Reexamination should thus be modified in two principal ways: (1) the PTO should adopt an administrative estoppel provision preventing patent holders from asserting a different scope than what was asserted during patent prosecution; and (2) the Director-ordered reexamination, as a matter of public policy, should be extended to instances involving financially disparate parties.⁹² With these two changes, reexamination would present a more viable alternative to court litigation and would further the patent system's goal of encouraging the progress of technological development.⁹³

85. *See id.*

86. *See Patlex*, 758 F.2d at 602 (admitting the expertise that the PTO lends to the situation when reexamining the validity of a patent, as opposed to a judge or jury—neither of whom may be as qualified to make the determination).

87. *Cf. In re Etter*, 756 F.2d 852, 856-57 (Fed. Cir. 1985). The lack of expertise coupled with the presumption of validity favors the patent holder considerably, particularly if it is a large business, which is often the case.

88. *See Reexamination in Patent Litigation*, *supra* note 31, at 7-8 (highlighting the relatively inexpensive cost of reexamination compared to litigation).

89. *See id.* (stipulating that inter partes reexamination is \$8,800 and that ex parte reexamination is \$2,200). Although third-party requester participation in inter partes reexamination would likely require attorney's fees for an active role, such fees would be considerably less than those for litigating the case in court.

90. *See Banner*, *supra* note 60, at 10 (implying that the patent system is designed to protect the small business).

91. *See generally id.* The hybridist approach is only an option for those who can afford litigation in the first place. Ten thousand dollars stacked onto hundreds of thousands of dollars is relatively miniscule.

92. *But see Orr*, *supra* note 22 (articulating that public policy concerns arise when the litigating parties are large businesses).

93. *See* U.S. CONST. art. I, § 8, cl. 8 (establishing that "Congress shall have the Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries"); *see also* H.R. REP. NO. 96-1307, at 3 (1980) (highlighting reexamination's original purpose of providing a legitimate alternative to litigation for patent infringement disputes).

A. Administrative Estoppel via Post-Reexamination Procedure

In order to truly create a less expensive, viable alternative to litigation, the PTO should adopt an administrative estoppel provision to prevent the alteration of a claim's scope within the reexamination process.⁹⁴ Although reexamination is based on the notion of the PTO's prior error, the patent has already been issued, and the patent holder has already benefited from the right to exclusive use.⁹⁵ While some have called for the elimination of the amendment process within the reexamination procedure altogether, such action would severely curtail the patent holder's rights by prohibiting the holder from clarifying the language of a claim.⁹⁶ A preferable method would be to institute a post-reexamination phase for patents deemed valid during reexamination.⁹⁷

A large number of patents are determined invalid upon reexamination—almost as many as those found valid.⁹⁸ Just as reexamination is based on the notion that mistakes occur in the preceding process, so too should the PTO acknowledge similar mistakes that occur during reexamination.⁹⁹ Directly following the affirmation of a patent's validity, a post-reexamination phase should take place where the scope of the claim is analyzed in both its pre-reexamination and reexamination forms. Upon discovery of a disparity in scope, the patent holder should be estopped from asserting the patent's validity.¹⁰⁰

The post-reexamination phase should take place immediately after the reexamination proceeding. In the new phase, the patent holder will not be permitted to make any amendments to his claim.¹⁰¹ The effect of this

94. See Mauriel, *supra* note 12, at 146 (highlighting the process to amend claims and the difficulties it creates in determining whether the claims' scope has changed).

95. See *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (stipulating that reexamination is a continuation of patent prosecution rather than an evaluation of the patent's validity, due to the presumption of a PTO-committed error).

96. See generally Mauriel, *supra* note 12 (calling for an end to the amendment process in reexamination in order to eliminate the instances where patent holders successfully alter the scope of a claim and achieve a retroactive effect).

97. See *In re Etter*, 756 F.2d at 857 (implying that the use of the amendment process with the broadest reasonable interpretation standard is a necessary means of achieving a valid patent).

98. See Chen, *supra* note 30, at 193 (indicating that 46% of all litigated patents are held invalid).

99. See Mauriel, *supra* note 12, at 140 (articulating that reexamination is actually a remedy for mistakes or errors made during the prosecution stage). Mauriel also discusses the errors that occur during the reexamination through the patent holder's exploitation of the amendment process. The proposition in Part IV.A is thus based on the notion of filling this gap.

100. See *id.* at 146 (discussing patent holders' ability to amend claims in the hopes of changing the scope of their claims and attain retroactive effect).

101. The purpose of this requirement is to eliminate the amendment process for some period of time to allow the PTO complete and total discretion. In theory, the reexamination process could recommence, allowing the patent holder to again amend his claim, this time trying to conceal the alteration of scope. This process, however, may discourage the patent

procedure is that the patent holder's ability to modify and clarify the language of a claim will be preserved while still prohibiting (or at least making a concerted effort at prohibiting) the patent holder from modifying the actual scope of the claim.¹⁰² Similar to how the inter partes reexamination procedure restricts a party from making claims contrary to the reexamination holding, the patent holder will be prohibited from arguing for application of the newly changed scope with regard to prior cases.¹⁰³

The post-reexamination procedure would ultimately make reexamination a more attractive option, and thus, a viable alternative to litigation.¹⁰⁴ The change would level the playing field by prohibiting patent holders (often large companies) from filing amendment after amendment in order to change the scope of the patent.¹⁰⁵ This procedure would similarly advance the goal of restoring faith in the PTO and the patents that it issues.¹⁰⁶

B. Expanded Use of Director-Ordered Reexamination

The PTO should expand the application of Director-ordered reexamination to disputes between financially disparate parties.¹⁰⁷ Understandably, Director-ordered reexaminations are purely discretionary and historically have taken place in instances where public policy concerns

holder who would have to initiate the process all over again. The presumption is that this type of fruitless repetition would raise a red flag. While there is no administrative proposition in this regard, an application in this instance would probably receive a second look.

102. See Mauriel, *supra* note 12, at 147-50. Mauriel's solution to this problem is to eliminate the amendment process during reexamination altogether.

103. See *generally id.* at 146 (discussing the reexamination process and the risks imposed on the patent holder). The administrative estoppel provision would only prohibit retroactive effect. The change in scope could apply to subsequent cases involving future art.

104. Reexamination would be more attractive to the extent that it would theoretically remove some of the unfair leverage that patent holders currently enjoy. If the third-party knows that he will receive a fair chance, then he is more likely to take part. In contrast, the chances of success in court would remain bleak, particularly considering the presumption of validity for the patent and not withstanding the substantial advantage that a large business with ample resources has in the courtroom. Cf. John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205-07 (1998).

105. See Mauriel, *supra* note 12, at 146 (indicating ineffectiveness in the provision that prohibits changing the scope of a claim in the filing of an amendment).

106. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985) (discussing Congress' belief that reexamination could serve to restore faith in the PTO through the admission and resolution of administrative defects).

107. "Disputes involving financially disparate parties" refers to patent disputes between a large corporation and a small inventor accused of infringement during the course of developing a new product. The small business in this scenario has two options: (1) pay a licensing fee; or (2) go to court. This is a precarious situation, even when the small business has a very good case. See Bob Sullivan, *Patent Piracy, or Goliath's Comeuppance? Small Firms often Targeted in Obscure Infringement Cases*, MSNBC, Apr. 30, 2004, <http://www.msnbc.msn.com/id/4837371/> (explaining the strategy that companies with extensive patent portfolios use in accusing small companies of patent infringement when the relationship between the two technologies is attenuated at best).

have been a major issue.¹⁰⁸ However, the PTO should give careful consideration to what actually satisfies this public policy rationale. If the purpose of patent protection is to encourage innovation and research, then it would naturally follow that small inventors and small businesses should, as a matter of policy, be protected first and foremost.¹⁰⁹ Though reexamination is significantly less expensive than courtroom litigation, it still can be quite costly, particularly in the case of an inter partes reexamination.¹¹⁰ In consideration of this cost factor, and in addition to the fact that 46% of all litigated patents are found to be invalid, the Director of the PTO should intercede in disputes involving a substantial financial disparity between parties and order a reexamination of the patent.¹¹¹

While some may argue that a small business's autonomy in selecting its method of legal recourse would be undermined by this provision, the reexamination of the patent does not actually involve the small business.¹¹² Rather, the small business is merely a third-party and the validity issue is a matter between the PTO and the patent holder.¹¹³ The premise that the potential infringer would not request reexamination is irrelevant.¹¹⁴ Permitting the presumption of validity for a patent that is actually invalid makes little sense.¹¹⁵ An error that the PTO commits is an issue for the PTO, just as is the notion of promoting research and technological advancement.¹¹⁶ By isolating the critical disputes, the PTO can rectify these errors without incurring a substantial burden.¹¹⁷

108. See, e.g., *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005) (providing an example where the PTO interceded and ordered a reexamination of NTP's allegedly infringed patent).

109. See U.S. CONST. art. I, § 8, cl. 8. The Constitution permits the issuance of intellectual property rights in order to advance technological development. Such development would start with the small-scale inventor and move on to the small business. Following this logic, the large corporation would be the last entity on the line deserving and needing protection.

110. See *Reexamination in Patent Litigation*, *supra* note 31, at 7-8 (indicating the \$8,800 cost for inter partes reexamination).

111. See *Chen*, *supra* note 30, at 193 (stipulating that 46% of litigated patents are held invalid and that 95% of patents issued in the United States are never challenged).

112. This would not likely infringe on any of the potential third-party requester's rights. In reexamination, the third-party requester is not truly a party. The matter concerns the PTO and the patent holder. Mauriel, *supra* note 12, at 140-41.

113. See *id.*

114. See *id.*

115. The validity of the patent is the PTO's issue. The PTO's interest in correcting its own error trumps any interest of a third-party determining the forum with which to resolve a dispute. See *id.*

116. See *In re Etter*, 756 F.2d 852, 858-59 (Fed. Cir. 1985) (articulating the purposes of patent protection and the system in general).

117. Naturally, requiring that the PTO double check every patent it issues would impose an undue burden. The goal of this Comment is to demonstrate a method through which to select a group of "questionable" patents and to subject them to further scrutiny.

CONCLUSION

Reexamination should be the first line of defense for a party accused of patent infringement.¹¹⁸ In a business culture where broad patents are increasingly common, a mechanism is needed to weed out mistakes before money and time are wasted in court.¹¹⁹ This is particularly critical for small businesses.¹²⁰ The threat of stepping into a five-year courtroom battle is daunting for the small inventor or start-up business.¹²¹ As a matter of public policy, and as a method of fulfilling the purpose for which the patent system was created,¹²² such a battle should only occur as a last resort.

118. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985) (stipulating the real purpose of reexamination, which entails limiting the number of patent infringement disputes that make it to the courtroom).

119. See *Chen*, *supra* note 30, at 193 (commenting on the substantial percentage of litigated patents found to be invalid and the broad patents routinely issued by the PTO).

120. See *Banner*, *supra* note 60, at 12 (noting the disparity in available methods of resolution for big and small companies).

121. *Id.*

122. U.S. CONST. art. I, § 8, cl. 8.