

ity of the post-grant review as an efficient, low-cost alternative to litigation. The lack of clear notice of the precise scope of a given patent is well documented.¹ In several industries, patents are often multitudinous, vague, and highly abstract. This prevents practitioners from being able to identify and assess relevant patents before they receive some specific warning of liability, which often comes many years after a patent has been issued. For this reason, the National Research Council of the National Academies recommended, at a minimum, the creation of a “second window” for post-grant review challenges triggered by litigation or a threat of enforcement by a patent owner.²

In the absence of a second window, patent reform legislation should maintain the existing system for reexaminations by the PTO, through *ex parte* and *inter partes* procedures. *Inter partes* reexamination in particular provides important ongoing opportunities for expert review of patent validity in some cases. H.R. 1249 maintains this procedure with some changes. We support the continued existence of *inter partes* reexamination³ as well as the creation of the new post-grant review procedure. However, we have significant concerns about the limitations that H.R. 1249 imposes on *inter partes* review.

Use of *inter partes* reexamination is already exceedingly rare in the status quo. In Fiscal Year 2010, 281 reexamination petitions were filed,⁴ while 219,614 utility patents were granted.⁵ The limitations imposed by H.R. 1249 and the managers amendment are motivated by assertions that the *inter partes* procedure may be abused to harass patent owners and interfere with the enforcement of valid patents. However, no empirical evidence, even anecdotally, was proffered to the Committee to demonstrate such abuses occur in the current reexamination system. On the contrary, of the 253 *inter partes* reexaminations decided since the procedure was created in 1999,⁶ 224 (89%) resulted in the modification or nullification of at least one patent claim, which means that the challenges were ultimately found meritorious.⁷ This suggests that further limitations and deterrents against *inter partes* petitions, beyond those already in place in current law, are unnecessary and counter-productive.

Patent reform legislation should seek to expand opportunities for low-cost, efficient alternatives to litigation as a way of resolving disputes about the validity of issued patents. In the context of *inter partes* reexamination, H.R. 1249 does the opposite, by placing unnecessary constraints on a procedure that is already under-utilized. We are particularly concerned about two specific provisions.

First, H.R. 1249 as amended sets a 12-month deadline for a defendant in litigation to file a petition for *inter partes* review, start-

¹ See Federal Trade Commission, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* (Mar. 2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>.

² National Research Council of the National Academies, *A Patent System for the 21st Century* (2004) at 101.

³ Under Sec. 5 of H.R. 1249, *inter partes* reexamination is renamed as “inter partes review.”

⁴ United States Patent and Trademark Office (USPTO), *Inter Partes Reexamination Filing Data* (Mar. 31, 2011), available at http://www.uspto.gov/patents/IP_quarterly_report_March_2011.pdf.

⁵ United States Patent and Trademark Office, *U.S. Patent Activity, Calendar Years 1790 to the Present*, available at http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm.

⁶ The Optional Inter Partes Reexamination Act, Pub. L. No. 106–113.

⁷ See *Inter Partes Reexamination Filing Data*, *supra* note 4.

ing from the date on which the party is served with a complaint for infringement. The length of this deadline is completely arbitrary, and does not account for the complexity of many patent cases that can encompass dozens of patents and defendants and hundreds of separate patent claims. In such complex cases, the 12-month period imposes an extremely compressed schedule that will not provide enough time for the defendants to prepare and file an *inter partes* petition. Instead, the deadline should be tied to substantive progress in patent litigation, such as the entry of an order by the district court construing the relevant patent claims. This would ensure that defendants have an opportunity to prepare legitimate petitions for *inter partes* review based upon the core issues in a patent case.

Second, H.R. 1249 as amended raises the threshold for initiating an *inter partes* review procedure. In order to initiate a review, the Director must find “a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.” The existing threshold—whether a petition raises a “substantial new question of patentability”—should be maintained instead. As noted above, the overwhelming majority of *inter partes* reexaminations that have been initiated under the current standard have been ultimately deemed meritorious. A stricter threshold is therefore unjustified. Moreover, the practical meaning of the new standard in H.R. 1249 is not clear and creates a risk that the PTO will reject legitimate petitions at the outset of the procedure, without further inquiry.

Because of these provisions, we do not support Sec. 5(a) of H.R. 1249. Several Democratic amendments designed to address these provisions were offered but defeated during the markup of the bill. We believe that, at minimum, in order to preserve the existing utility of *inter partes* reexaminations, current law should be maintained. Ensuring the high caliber of patents circulating in the marketplace inures to the benefit of all Americans by stimulating innovation, encouraging investment and creating jobs. We hope that as H.R. 1249 moves closer to the floor, needed revisions will be made to ensure that *inter partes* reexamination remains a viable, efficient alternative to litigation for weeding out bad patents.

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