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POST-GRANT OPPOSITION: NEW VISTA OR FAMILIAR TURF?

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Getting The Lay Of The Land

To many observers, the proposed post-grant patent opposition procedure is new territory, a frontier to be explored. But for those who have experienced the evolution of interference proceedings over the past decade, it is a rather familiar landscape, having few procedural differences from the motions phase of existing interference proceedings.

Because many patent applicants and patent owners simply haven't become involved in interferences, there's good reason to have a detailed look at how patentability issues are decided in an interference as a way to get a sense of how the proposed opposition proceeding might actually be conducted. Indeed, the interference rules package that came into force in September 2004 (see 69 F.R. 49960) contains provisions for governing what are generically referred to as "contested cases" (Part 41, Subpart D - 37 C.F.R. §§41.100 – 41.158), but are in practice even now governing interferences.

The contested case rules are themselves modeled closely on the procedures that have been in use in interferences since the establishment of the Trial Section of the Board of Patent Appeals and Interferences nearly ten years ago. So it appears that the experience and expertise gained by the Trial Section (and by the practitioners who have presented cases to it) will likely find good use in the proposed opposition proceeding.

Demise Of Interferences – Rise Of Oppositions: Is There Really A Connection?

The widely-held perception is that there's a connection between the elimination of priority contests in interferences and the creation of a post-grant proceeding for attacking patents. But from a policy perspective, there's no obvious logical connection. A post-grant proceeding could well be a supplement to the existing interference proceeding, particularly in light of the oft-stated view of the Board of Patent Appeals and Interferences that an interference is neither a pre-grant opposition nor a post-grant cancellation proceeding. And certainly the post-grant proceeding would, even in the context of the existing first-to-invent system, still achieve its intended quality control function.

Other provisions of the proposed patent reform bill are, however, more clearly logically connected.

Take, for example, the adoption of a first inventor to file system (Section 3) and the creation of prior user rights (Section 7; broadening of 35 U.S.C. §273). That

combination of provisions – not obviously related in the draft bills – provides, in lieu of the present interference system, protection of the right to practice for innovators that don't file patent applications.

Simultaneously creating a short time period for requesting a post-grant opposition (Section 7; §323) and establishing a high threshold for proving willful infringement (Section 6) also go hand-in-hand. Potential opposers need to monitor granted patents to avoid missing the opportunity to oppose them, but they need to be free to do so without fear that simply learning about a patent will make one a target for increased damages and attorneys fees in the event of litigation.

Connected or not, however, the old (interferences) and the new (oppositions) have a lot in common procedurally. But there are important differences as well.

What Distinguishes An Opposition From An Interference?

First, let's take a look at some of the features that distinguish an opposition from an interference.

Post-Grant Opposition

1. There's no need to have your own application pending as an admission ticket – anyone can oppose
2. There's no concern about torpedoing your own claims by asserting that the target patent claims aren't patentable to anyone
3. There's a short time for requesting the opposition, and all the evidence has to be filed with the request BUT
4. There's a potential penalty for filing a request within the first three months after grant of the patent; namely, the patentee has the chance to file suit and obtain a stay
5. The effort and expense is heavily front-end loaded for the opposer

Interference

1. Only a patent applicant (including a reissue applicant) can provoke an interference
2. There are 2 statute of limitations provisions to watch for:
 - a. at publication – 35 U.S.C. §135(b)(2)
 - b. at grant – 35 U.S.C. §135(b)(1)
3. The statute of limitations is tolled by simply presenting a claim, BUT the claim
 - a. must be supported under 35 U.S.C. §112

- b. must be allowable to the applicant, without regard to the patentee
 - c. must define “interfering subject matter” as defined in 37 C.F.R. §41.203(a)
4. There’s an inherent difficulty with requirement 3.b. if the applicant’s position is that the target claims aren’t patentable to anyone
 5. There’s a relatively leisurely period for assembling evidence of unpatentability

The really significant difference is that the opposition proceeding will be an option for a great many more potential patent challengers, and that’s because there’s no threshold requirement of having one’s own pending application as a vehicle for the challenge.

Getting Out Of The Starting Gate

Though the process for resolving patentability issues in an opposition appears likely to closely resemble the current process for resolving those issues in an interference, there’s certainly a big difference between the way one gets an interference proceeding started and the way one gets an opposition proceeding started.

As just noted, perhaps the biggest difference between an interference and an opposition lies in the classes of persons who have the ability to initiate the proceedings. In other words, litigating patentability issues in an interference and litigating them in an opposition proceeding differ primarily with respect to standing. So let’s have a look at the basic steps needed to initiate each type of proceeding.

A. Interference Basics

How Does An Interference Arise?

According to the statutory language, the “declaration” of an interference is a matter of the Director’s discretion. So there is no “right” to have an interference declared, even if the overlap in the claims of a patent and those of a pending application is readily apparent. Consistent with that principle, the unofficial doctrine of the Board of Patent Appeals and Interferences has been that an interference is first and foremost a priority contest and therefore neither a pre-grant opposition nor a post-grant cancellation proceeding.

Relatively recently, the declaration of an interference between two pending applications has become at least very rare. Moreover, the sua sponte declaration of an interference between a pending application and a patent is equally rare. Instead, on those occasions when two apparently interfering applications are identified during examination, PTO practice has been to allow the earlier-filed application to proceed to

grant and to reject the later-filed application under 35 U.S.C. §102(e). See M.P.E.P. §2302. That leaves the later applicant to choose whether to abandon the interfering claims or to provoke an interference.

An interference search is officially a part of the examination of every patent application (see New Interference Search Procedure – Official Gazette Notice 19 July 2005; M.P.E.P. §2304.01(a)), but there is considerable skepticism in the bar as to whether examiners make a serious effort to identify interfering applications. Instead, the widely held belief among interference practitioners is that the burden of policing patents and applications for interfering subject matter falls squarely on applicants and patent owners. A discussion of the policy considerations relating to where that burden should fall is beyond the scope of this paper.

Where Do I Start?

With that background, there are the obvious questions: What happens when one is faced with the need or desire to provoke an interference? What has to be done, and when?

Let's look at a few of the fundamentals in order to provide a baseline for comparison with an opposition.

A party seeking to have an interference declared must

1. Own a pending application OR file an application for reissue
2. Present a claim for the “same or substantially the same subject matter” as is claimed in the patent within the time requirements of 35 U.S.C. §135(b)(1) and (b)(2)
3. Prosecute at least one such claim to allowability
4. File a “suggestion” for the declaration of an interference meeting the requirements of 37 C.F.R. §1.203(a) – one of those requirements is to include a prima facie showing that the applicant would win the interference if it were declared.
5. Satisfy the two-way test for “interfering subject matter” set forth in 37 C.F.R. §41.203(a)

The threshold point here – point 1 – is that only a patent applicant (including a reissue applicant) can provoke an interference in the Patent and Trademark Office. A patentee cannot. See 37 C.F.R. §41.202; M.P.E.P. §2304.03.

Second, an applicant need not – and often should not – copy verbatim the claims of the target patent. Instead, the applicant must, within one year of grant of the patent

(35 U.S.C. §135(b)(1)), and within one year of the publication of an application (35 U.S.C. §135(b)(2)), present at least one claim for the “same or substantially the same subject matter” as is claimed in the patent.

The case law characterizes 35 U.S.C. §135(b) as a statute of repose, or statute of limitations. See *Corbett v. Chisholm*, 568 F.2d 759, 765, 196 USPQ 337, 342 (CCPA 1977). Further, the standard for determining whether or not an applicant has claimed the “same or substantially the same subject matter” is a rather stringent one:

To establish entitlement to the earlier effective date of existing claims for purposes of the one-year bar of 35 U.S.C. § 135(b), a party must show that the later filed claim does not differ from an earlier claim in any "material limitation." *Corbett v. Chisholm*, 568 F.2d 759, 765-66, 196 U.S.P.Q. (BNA) 337, 343 (CCPA 1977). This is a distinctly different question from whether claims made for purposes of interference by different parties are directed to interfering subject matter.

In re Berger, 279 F.3d 975; 61 U.S.P.Q.2d 1523 (Fed.Cir. 2002).

Practically speaking, each of the remaining requirements can present a major obstacle for an applicant. Most frustrating to a significant number of applicants seeking to attack a patent is the not-uncommon circumstance that they cannot meet the two-way test for “interfering subject matter” (point 5), even though the target patent is (or will be) invalid in view of a patent granted to the applicant.

Of course, the strategies for meeting the requirements of 35 U.S.C. §135(b) and for provoking an interference are beyond the scope of this paper. But the important point is that provoking an interference (especially for the primary purpose of proving the invalidity of the target patent) isn’t easy, even with a pending application to work with.

B. Opposition Basics

Getting a feel for the proposed opposition proceeding is less of a challenge than might at first appear. Not only do we have the proposed legislation to guide us, but there has been a rather substantial foundation laid in the form of rules and procedures adopted in anticipation of an eventual post-grant proceeding.

What’s The Legislative Framework?

The principal provisions of the proposed legislation pertaining to the post-grant opposition are these:

1. One seeking to initiate an opposition proceeding must file a written statement (a “request”) within nine months of the

grant date of the patent – unless the patent owner consents to a filing outside of that time window. With the request, the opposer must submit all the evidence it relies on to “establish that a substantial question of patentability exists for at least one claim in the patent.” (You will recognize that standard as being the same as the existing standard for the grant of a request for reexamination.)

2. If an opposer relies on fact or expert opinion evidence (evidence other than patents or printed publications) in support of the opposition, that evidence must be filed with the request through one or more accompanying affidavits or declarations. (§321). All declarants or affiants are subject to cross-examination by deposition. (§328). Importantly, the Federal Rules of Evidence will apply to the opposition. (§332(b)).
3. Any question of patentability may be considered during the opposition proceeding, including double patenting and any of the conditions or requirements for patentability set forth in 35 U.S.C. §§ 101, 102, 103, 112, and 251(d). (§324).
4. Within three months after the expiration of the nine-month opposition period, the Director must determine whether or not the written statement, and any evidence submitted with the request, establishes that “a substantial question of patentability exists” for at least one claim in the patent. If it does, the opposition will be instituted and it will be assigned to a panel of three administrative patent judges. (Though the proposed bill doesn’t specify that the panel will be drawn from the members of the Trial Section of the Board of Patent Appeals and Interferences, all signs point to that being the case.)
5. If more than one request is filed, there may be a multi-party proceeding, though it can later be divided by the panel. Though an opposition proceeding may in certain circumstances be stayed, an infringement action may not be stayed to await the institution of or the resolution of an opposition proceeding. Specifically, the Director will have the discretion to stay an opposition proceeding in the event that the patent owner files an infringement suit within the first three months after grant of the patent. (§325). (That provision would counsel potential opposers who wish to

avoid litigation to wait for that three-month period to pass before filing a request.)

6. The patent owner has an opportunity to file a response to the request within a time set by Director. The response must be accompanied by any fact or expert opinion evidence, in the form of affidavits or declarations, on which the patent owner relies in support of the response. (§326)
7. Along with the response and evidence, the patent owner may submit a request to amend one or more of the challenged claims, but the amendment can't broaden the scope of the claims. (§327).
8. Just as in the case of interferences, "discovery" is limited to the cross-examination (ordinarily by deposition) of the declarants and affiants, absent a showing that the discovery is essential to the "interests of justice." (§328). (As experienced practitioners know, the "interests of justice" is a very high standard indeed.)
9. The opposer has the burden to prove the invalidity of a claim by a preponderance of the evidence, and the determination of patentability will be based upon the broadest reasonable construction of the claim. (§332(a)).
10. The panel's decision on a question of patentability raised by an opposer will bar the opposer from asserting, in any subsequent proceeding before the Office or a court involving that opposer, that any claim of the patent addressed in the opposition proceeding is invalid on the basis of any issue of fact or law actually decided by the panel and necessary to the determination of that issue. (§336). (This provision is considered less onerous than the existing estoppel provision pertaining to *inter partes* reexamination.)
11. A hearing will be held in the opposition proceeding if either party requests one or if the panel determines sua sponte that a hearing is warranted. Though it need not, the panel may permit the parties to file briefs for the hearing, and shall permit cross-examination of all affiants and declarants at the hearing. (§330).

12. The panel is required to issue a written decision on each issue of patentability with respect to each claim that is the subject of the opposition, and that decision must take the form of findings of fact and conclusions of law. A party to the opposition may file a request for reconsideration and modification of the written decision within a period not less than two weeks after the date of the decision. Otherwise, the written decision becomes a final determination of the Office on the questions raised in the opposition. (§331).
13. From the date of initiation, the duration of the opposition proceeding is to be one year. (That is the target duration for the motions phase of an interference.) That one-year period may be extended by up to six months upon a showing of good cause. (§337).
14. Either party may appeal the final decision to the Federal Circuit under 35 U.S.C. §141. (§334).
15. Any settlement agreement must be in writing, and a copy must be filed. Indeed, the proceeding won't be terminated until a true copy of the agreement or understanding, including any collateral agreements, has been filed in the Office. As in the case of an interference, if any party filing an agreement or understanding requests, the agreement or understanding will be kept separate from the file of the opposition, and will be made available only to Government agencies on written request, or to any person on a showing of good cause. (§338(b)).

What Will The Opposition Proceeding Look Like In Practice?

As mentioned, rules for the conduct of “contested cases” already exist. These rules were promulgated by the Patent and Trademark Office in anticipation of the adoption of some form of post-grant review proceeding, though they are already in practice because they apply to interferences. See Final Rule effective September 13, 2004, published at 69 FR 49960 (37 C.F.R., Part 41, subpart D – Contested cases, §§41.100 – 41.158.).

Further, shortly after the effective date of the new rules, the Board of Patent Appeals and Interferences issued a document entitled “Contested Case Practice Guide”. The Practice Guide contains an annotated set of the rules, including “Practice Notes”, intended to assist the practitioner in navigating the Board’s procedures.

Finally, the Board has, on January 9, 2006, issued the latest version of its Standing Order, which contains far more detail on the nuts and bolts of an interference proceeding than has ever been incorporated into the rules.

In its principal respects, therefore, an opposition proceeding (once initiated) will rather closely resemble the motions phase of an interference. Here are some of the more important provisions the practitioner will want to consider long before a request is filed.

Procedural conduct of the case

A significant development in practice before the Board of Patent Appeals and Interferences in recent years has been the exercise of wide discretion in the conduct of interference cases. Prior to the effective date of the most recent rules, that discretion was exercised on the basis of former interference Rule 610:

§ 1.610 Assignment of interference to administrative patent judge, time period for completing interference.

(c) Unless otherwise provided in this subpart, times for taking action by a party in the interference will be set on a case-by-case basis by the administrative patent judge assigned to the interference. . . .

(d) An administrative patent judge may hold a conference with the parties to consider simplification of any issues and any other matter as may aid in the disposition of the interference. After a conference, the administrative patent judge may enter any order which may be appropriate.

(e) The administrative patent judge may determine a proper course of conduct in an interference for any situation not specifically covered by this part.

The result was the issuance of the first Standing Order, which, in the opinion of some, contained provisions inconsistent with the rules. But the current rule, specifically 37 C.F.R. §41.104(b), makes explicit what had been (according to the Board) implicit under Rule 610; namely, that an APJ may waive or suspend the rules to suit the particular circumstances of the case:

§ 41.104 Conduct of contested case.

- (a) The Board may determine a proper course of conduct in a proceeding for any situation not specifically covered by this part and may enter non-final orders to administer the proceeding.
- (b) An administrative patent judge may waive or suspend in a proceeding the application of any rule in this subpart, subject to such conditions as the administrative patent judge may impose.

- (c) Times set in this subpart are defaults. In the event of a conflict between a time set by rule and a time set by order, the time set by order is controlling. Action due on a day other than a business day may be completed on the next business day unless the Board expressly states otherwise.

So in this very important respect, one would expect that practice in an opposition proceeding will very closely resemble that in an interference.

The lesson here is that a party contemplating the initiation of an opposition proceeding must pay close attention to the Standing Order, which has now grown to 76 pages. If the size and detail of the Standing Order weren't evidence enough of the fact, it's important to appreciate that the Board is a very much more hands-on case manager than are most US District Court judges.

Electronic Filing

Effective with the entry of the new Standing Order on January 3, 2006, filing of submissions on paper is not allowed except with express authorization obtained by motion. Standing Order ¶ 105.1. Detailed filing and service requirements are set forth in the remaining sections of Standing Order ¶ 105.

Testimony

As has been the case in interferences, all direct testimony (except compelled testimony) must be submitted in the form of an affidavit or declaration, and the affiant or declarants must be available for cross-examination. 37 C.F.R. §41.157. Moreover, each affiant or declarant must (1) acknowledge that he or she may be subject to cross-examination, and (2) agree to appear for that purpose within the time allotted for cross-examination. Standing Order ¶ 157.2.

Discovery

Discovery in an interference has always been very narrow in scope and very much unlike discovery under the Federal Rules of Civil Procedure. The point is made quite clear by the language of the rule:

§ 41.150 Discovery.

(a) *Limited discovery.* A party is not entitled to discovery except as authorized in this subpart. The parties may agree to discovery among themselves at any time.

There are two types of discovery in a contested case; “automatic” (§41.150(b)) and “additional” (§41.150(c)). A more appropriate term for “automatic” might be “as of right”, since §41.150(b) provides that a party must

Within 21 days of a request by an opposing party, Serve a legible copy of every requested patent, patent application, literature reference, and test standard mentioned in the specification of the party's involved patent or application, or application upon which the party will rely for benefit, and, if the requested material is in a language other than English, a translation, if available,

“Additional” discovery, on the other hand, might be more appropriately called “extraordinary” discovery because a party needs to make a showing of specific circumstances that “show a solid basis for believing the discovery will be productive.” Standing Order ¶ 150.2.

Evidence

A contested case in the Patent and Trademark Office is decided upon the evidence submitted in support of the paper requesting relief (whether an interference motion or, when appropriate, a request for initiation of an opposition proceeding). And the rules specify how and in what form that evidence must be submitted:

§ 41.154 Form of evidence. (a) Evidence consists of affidavits, transcripts of depositions, documents, and things. All evidence must be submitted in the form of an exhibit.

Because a request for initiation of an opposition proceeding is substantively no different than an interference motion for judgment (on the ground that one or more of the opponent's claims is unpatentable), the procedures for presenting evidence in support of the request are likely to be essentially the same as those for presenting evidence in support of a motion. Accordingly, a prospective opposer should carefully review the requirements set out in Standing Order ¶ 121, particularly those pertaining to the required Statement of material facts:

A motion may be denied if the facts alleged in Appendix 2 are insufficient to state a claim for which relief may be granted. Facts set out only in the argument portion of a motion may be overlooked and may result in a motion being denied.

Standing Order ¶ 121.5.2. Other detailed requirements for the form of the paper and manner of submitting supporting evidence appear in Standing Order ¶ 121.

Settlement Discussions

Not only does the Standing Order require that the parties engage in settlement discussions, it specifies when those discussions are to take place, specifies who must

initiate them, and requires that a report be filed stating that a good faith effort has been made to settle the matter. Standing Order ¶ 126.

Deposition Practice

Depositions in contested cases before the Board are quite different from discovery depositions in US District court litigation. They are limited to cross-examination and limited in scope to the subject matter of the witness's written testimony.

The Board has in recent years been very proactive in prescribing guidelines for cross-examination depositions (see Standing Order APPENDIX: CROSS EXAMINATION GUIDELINES), in monitoring compliance with those guidelines, and in clearly stating its intention to enforce those guidelines (see Standing Order ¶ 128). Worthy of special note is Guideline [5], which permits deposing counsel to inquire on the record about any off-the-record conferences between the witness and defending counsel.

Compelling Testimony

35 U.S.C. §24 authorizes the use of the subpoena power of US District Courts to compel testimony in contested cases in the Patent and Trademark Office, and it provides that the provisions of the Federal Rules of Civil Procedure pertaining to the attendance of witnesses and to the production of documents and things shall apply to contested cases. But before issuing a subpoena in a contested case, a party must obtain authorization by the Board by filing a motion:

§ 41.156 Compelling testimony and production.

(a) *Authorization required.* A party seeking to compel testimony or production of documents or things must file a miscellaneous motion for authorization. The miscellaneous motion must describe the general relevance of the testimony, document, or thing and must:

- (1) In the case of testimony, identify the witness by name or title, and
- (2) In the case of a document or thing, the general nature of the document or thing.

Even if authorization is given, the scope of the inquiries permitted will likely be quite limited. See Standing Order ¶ 156.

Oral Hearing

The rules set a rather short time for requesting an oral hearing:

§ 41.124 Oral argument.

(a) *Request for oral argument.* A party may request an oral argument on an issue raised in a paper within five business days of the filing of the paper. The request must be filed as a separate paper and must specify the issues to be considered.

The Standing Order ¶ 124, however, provides that the actual time for the request will typically be set by order.

Sanctions

The opportunity to run afoul of the Board's direction and therefore be exposed to a risk of sanctions is much greater in practice before the Board than in practice before the more typical tribunal. The rule empowering the Board to grant sanctions is clear enough:

§ 41.128 Sanctions.

(a) The Board may impose a sanction against a party for misconduct, including:

- (1) Failure to comply with an applicable rule or order in the proceeding;
- (2) Advancing a misleading or frivolous request for relief or argument; or
- (3) Engaging in dilatory tactics.

(b) Sanctions include entry of:

- (1) An order holding certain facts to have been established in the proceeding;
- (2) An order expunging, or precluding a party from filing, a paper;
- (3) An order precluding a party from presenting or contesting a particular issue;
- (4) An order precluding a party from requesting, obtaining, or opposing discovery;
- (5) An order excluding evidence;
- (6) An order awarding compensatory expenses, including attorney fees;
- (7) An order requiring terminal disclaimer of patent term; or
- (8) Judgment in the contested case.

But just to drive the point home a bit more forcefully, the Standing Order ¶ 128 enumerates “Examples of conduct *likely to lead to sanctions* . . .” So the message here is to scrupulously follow the rules or risk rather severe consequences.

Res Judicata

It is on the question of issue preclusion that the present rule, 37 C.F.R. §41.127, is more sweeping than is the proposed statutory language pertaining to opposition proceedings:

§ 41.127 Judgment.

(a) *Effect within Office—(1) Estoppel.*

A judgment disposes of all issues that were, or by motion could have properly been, raised and decided. . . .

According to §336 of the proposed bill, the estoppel effect of a decision of the panel is limited to “. . . any issue of fact or law *actually decided* by the panel *and necessary to the determination* of that issue.”

Contemplating The Future

Proposals for a post-grant proceeding have been considered and discussed for years, some in the context of “harmonization”, but some designed simply as quality control measures or as alternatives to the crushing expense of District Court litigation over the validity of patents. There is perhaps a better procedural foundation laid for the adoption of the present opposition proposal, though the fate of the legislation as a whole may be determined more by the fate of other more controversial reform measures than by the inherent merits of the opposition provisions.

Assuming, however, that some form of the current proposal to implement a post-grant proceeding becomes law, we’re fortunate to have a procedural road map by virtue of the contested case rules already in place.

REFERENCES

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