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The Proposed Post-Grant Opposition Procedure

HOW IT WILL WORK AND HOW YOU CAN PREPARE TO TAKE ADVANTAGE OF IT

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One of the more significant patent reforms in the bill introduced by Representative Lamar Smith (R-Texas) last year is the implementation of a “post-grant opposition” procedure—an adversary proceeding for challenging the validity of a patent that bears some resemblance to the decades-old procedure available in the European Patent Office. This proposed reform is a measure intended, at least in part, to respond to concerns about the quality of patents granted by the United States Patent and Trademark Office (USPTO).

While the future of Smith’s bill may be unclear (indeed, Senator Hatch is apparently spearheading competing legislation in the Senate IP Subcommittee), some form of post-grant opposition proceeding will likely make its way into the U.S. patent system within the next several years. In order to take full advantage of the procedure, companies will need to adapt their legal strate-

gies accordingly and put in place appropriate patent review systems.

HOW IT WORKS¹

At least in principle, the proposed opposition procedure has received widespread support from industry and public sector alike. Notably, though many proposed reforms were intensely debated during hearings before the House IP Subcommittee, the post-grant opposition provision emerged relatively unscathed. For these reasons, it is worth taking a look at the defining features of the procedure proposed by Representative Smith, as these features are likely to remain whomever pens the bill that is ultimately signed into law.

File Request Within Set Time Period After Patent Issues. Any person may file an “opposition request” within a set period of time after the issuance of a patent. In Smith’s proposed legislation, that period is nine months.

The request must identify the reasons why one or more claims of the patent are invalid. Just about any ground for invalidity can be raised, including lack of novelty, lack of utility, obviousness, indefiniteness, lack of an enabling disclosure, and double patenting. If the request is supported by fact or opinion evidence, such evidence must be submitted by way of affidavit or declaration.

As in the case of reexamination, the Director of the USPTO will institute an opposition proceeding if he or she determines, upon consideration of the request, that a substantial question of patentability exists.

Panel Of Three Administrative Patent Judges Assigned. Each opposition proceeding will be assigned to a panel of three administrative patent judges on the

Board of Patent Appeals and Interferences (“the Board”). Not only will this panel ultimately decide the questions of patentability raised in the opposition request, it will also oversee the entire proceeding. The Board will undoubtedly have wide latitude in establishing procedures, schedules and guidelines, just as it now has with respect to interference proceedings. The panel will likely be drawn from judges who comprise the “Trial Section” of the Board—that portion of the Board that handles interferences—since they are already experienced with *inter partes* proceedings (for this reason, it is unlikely that interference practitioners will be out of work even if the United States moves to a first-to-file system).

Patent Owner Response And Request To Amend The Claims. After the opposition is instituted, the patent owner will have an opportunity to file a response to the opposition request. As with the request, the response may be supported by fact and/or opinion evidence which is submitted by way of affidavit or declaration. Under Smith’s proposed legislation, the patent owner may also file a request to amend (but not broaden) any of the opposed claims.

Limited Discovery. As noted, evidence in the proceeding is presented by way of affidavit or declaration. Each party has the right to cross-examine the other party’s affiants or declarants at a deposition. No other discovery will be permitted during the opposition proceeding unless the panel determines that it is required “in the interest of justice” (another similarity to interferences).

Oral Hearing And Decision. Either party may request an oral hearing, which may involve further briefing and the live cross-examination of witnesses who have submitted evidence or expert opinions. The opposer bears the burden of proving by a preponderance of the evidence that any particular claim is invalid based on the broadest reasonable construction of the claim.

At the end of the proceeding, whether there is a hearing or not, the panel will issue a written decision on each issue of patentability that has been raised. Either party may appeal that final decision to the Federal Circuit.

Limited Estoppel. In any subsequent proceeding before the USPTO or in court, the opposer will be estopped from asserting that a claim of the opposed patent 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.” There is an exception to this rule, however, if additional factual evidence arises that could not have been reasonably discovered by the opposer during the opposition proceeding.

TAKING ADVANTAGE OF THE POST-GRANT OPPOSITION PROCEDURE

The threshold question for any potential opposer will be this: will you use the post-grant opposition process? While an opposition proceeding will be much less costly than typical district court infringement litigation, it will not be inexpensive. The proceeding may very well involve pre-filing investigations, significant briefing, depositions and an oral hearing. Some potential opposers will take their chances with less expensive alternatives such as reexamination, if they take any action at all. For others, the issue will not be the cost but rather the estoppel provision. These potential opposers will prefer to have their validity challenges decided by a judge or a jury, with an opportunity for full discovery.

The opposition procedure will offer enough advantages, however, that most will want to keep the option open. It will surely be less expensive than district court litigation, which makes it an attractive alternative. And while the price of filing an opposition is the loss of one’s day in district court, the payback is that the opposition will be decided not by a lone examiner (as in reexamination), but by a panel of three administrative patent judges who have considerably more experience with patentability issues than does the typical district court judge. For example, the patent judges may be better able to assess a patent’s compliance with the fairly technical written description and enablement requirements.

Setting Up A Review System

Assuming you have an interest in using the opposition procedure, you will want to set up a system for reviewing patents as they issue. Otherwise, the opposition win-

dow may close before you even become aware that a troublesome patent exists. You cannot simply wait until someone files suit against you. Indeed, the savvy patent owner will wait to file suit until after the opposition period has ended in order to avoid the possibility of a post-grant challenge in the USPTO.

Smith’s original bill provided for a second opposition window that would open when the patent owner filed suit against an alleged infringer, but this provision was omitted from the substitute bill introduced by Smith in July. If the second window resurfaces in Senator Hatch’s version, it will likely be triggered—not by the filing of a lawsuit—but by the opposer making a specialized showing to the Director as to why a request could not be made within the normal opposition period. In that circumstance, a practice of reviewing granted patents will still be necessary to take full advantage of the opposition procedure.

Fortunately, one of the more significant disincentives to reviewing granted patents will likely disappear as a result of another element of the proposed reform bill. Specifically, under Smith’s proposed changes to the willful infringement standard, an alleged infringer’s knowledge and state of mind prior to receiving a patent owner’s written notice of specific allegations of infringement will be irrelevant. As a result, a potential infringer will no longer be exposed to the risk of treble damages by simply searching for, and identifying, patents that may pose an infringement risk.

The nature of the review system that you set up will be a function of how much you want to spend balanced against how thorough you want the review to be. A more in-depth review will naturally be more expensive. Depending on the circumstances, however, simple and less expensive searching regimens can also be effective. A monthly word search of the USPTO patent database is one example of an inexpensive search. The search will be more effective if you spend some time on the front end developing a list of words and phrases likely to appear in a patent that might impact your business. If nothing else, you can search for patents recently issued to your competitors.

Of course, even basic searching becomes burdensome if a variety of product lines and services are involved. For this reason, larger corporations will invest in more elaborate review systems that may

involve the use of outside counsel or searching services (indeed, many corporations already have such systems in place). If it is within the company budget, I would recommend searching not just issued patents, but also published applications. This practice will allow you to identify potential threats well before any patent is granted. With such advance warning, you can prepare for filing an opposition even before the opposition clock begins to tick.

Don’t Delay

Once you identify a troublesome patent, don’t delay in acting on the information. Assuming you decide to proceed with an opposition request,² begin the process of preparing the request as soon as possible. The opposition window (or what is likely to be left of it) will pass quickly, and as is evident from Smith’s proposed legislation, the process will be front-end loaded for the opposer. Not only must you put forward your best arguments in the initial request, but you must also submit with it any fact and/or opinion evidence that you intend to rely upon—and that evidence must be submitted through the declarations of witnesses who will be subject to cross-examination. So, before you even fire the opening shot, you will need to thoroughly develop your invalidity theory, collect the supporting evidence, identify the witnesses who will submit that evidence and be subject to a deposition, decide whether you will use expert opinion, etc. If you wait until late in the opposition period to commence this process, you may be unable to prepare an effective request.


Use Timing To Your Advantage

Timing is sure to be an important consideration regardless of the final form of the patent reform legislation. Smith’s proposal favors the patent owner by forbidding the stay of an infringement action pending the outcome of an opposition proceeding (unlike current reexamination practice), while giving the USPTO the discretion to stay the commencement of an opposition if the patent owner files an infringement suit within three months after the grant of the patent. If you seek to avoid litigation, you may want to wait for this three-month period to lapse before filing an opposition request. Alternatively, with enough advance warning you might consider delaying the launch of a product until after that period has passed, thus depriving the

patent owner of the opportunity to file suit until the opposition is well under way.

Incidentally, if Senator Hatch is rewriting the post-grant opposition section of the reform bill, he would do well to start with these jurisdictional incongruities. If the opposition procedure is intended to improve the quality of patents, and thus reduce the amount of frivolous litigation, why give the patent owner the option to bow out of the opposition procedure as soon as the request is filed?

LOOKING FORWARD

I suspect that Senator Hatch's alternative reform bill, if it comes, will expand rather than limit the options of the potential opposer. Therefore, in one form or another, the advent of a post-grant opposition proceeding is on the horizon. Whether the procedure will achieve the goal of improving patent quality is open to debate. Regardless, it will likely be an effective tool that business entities can use to mitigate infringement risks to their products and services. Start thinking about how you will review patents as they issue so that this tool will be an option for you. 

ENDNOTES

1. This article relies on the "Amendment in the Nature of a Substitute to H.R. 2795" introduced by Representative Smith on July 26, 2005. A September 1, 2005 industry redline of this substituted bill (called the "Coalition Print") makes several clarifying additions to the post-grant opposition section, but is for the most part identical.
2. A variety of factors will go into deciding whether to file an opposition request or to pursue another course of action: How much are you willing to spend? Is there a sound basis for invalidity? Would the ability to engage in traditional discovery help or hurt your case? Would you fare better having the issue decided by a judge or a jury? Competent counsel can help you evaluate these factors and weigh the costs and the benefits.