
THE COLUMBIA
SCIENCE & TECHNOLOGY
LAW REVIEW

VOL. XIV

STLR.ORG

SPRING 2013

ARTICLE

ENSURING THE INTEGRITY OF ADMINISTRATIVE CHALLENGES TO
PATENTS: LESSONS FROM REEXAMINATION[†]

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As part of the most sweeping reform of patent law in 60 years, the America Invents Act (“AIA”) expanded administrative procedures for challenging patents, shifting more responsibility for adjudicating patent validity to the U.S. Patent & Trademark Office (“PTO”). Yet the PTO, which has limited experience administering full-blown adversarial proceedings and conducting discovery, is expected by many observers to encounter severe difficulties implementing the newly created proceedings—leaving them dangerously vulnerable to fraud and abuse. In an effort to ensure the integrity of the new proceedings, this Article draws lessons from practitioners’ experience with existing patent reexamination processes. Reviewing the state of the discourse regarding the use and abuse of patent reexamination, and bringing to light hitherto ignored legislative history, the Article offers the first empirical evidence concerning the nature and extent of misconduct in reexamination. Consistent with anecdotal evidence adduced in previous scholarship, data presented here from a survey of more than 100 patent practitioners reveal that 25.5% of respondents reported some form of misconduct on the part of those challenging patents in reexamination. Notably, these results are comparable to those reported in studies of misconduct in the courts, suggesting that significant levels of misbehavior at the PTO have gone undeterred and uncompensated by protections which, though available to other victims of sham litigation in the courts, are sorely lacking in the PTO context. Accordingly, it is argued that the

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integrity of the PTO's administrative procedures can be ensured by a damages remedy, which would simultaneously deter misconduct and compensate patent owners when it does occur. A private right of action, this Article contends, would incentivize those most attuned to impropriety (the patent owners) to come forward and take the lead in enforcing good conduct in administrative validity challenges, preserving scarce PTO resources. Strict pleading standards from the outset, among other things, can protect such a remedy from becoming a "plague" on legitimate use of opposition procedures in the way an unfettered inequitable conduct defense impaired the patent application process. The public interest in robust patent opposition procedures must be balanced with the patent owner's right to reap the benefit of his property and the investment in research it represents.

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I. INTRODUCTION

When the President of the American Intellectual Property Law Association ("AIPLA") felt moved to quash rumors of a "patent

ethics crisis” last year,¹ one knew something was afoot. Curious that the patent bar, whose members have been so ready to accuse colleagues of ethical lapses in *obtaining* patents,² should take three decades to acknowledge that misbehavior occurs in *challenging* them, but so it was. The publication of the first article devoted to the subject,³ the resolution of a test case,⁴ and the burst of media attention that followed⁵ brought an open secret into official

1. David Hill, *No Patent Ethics Crisis*, Nat'l L.J. (Oct. 24, 2011), <http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202519756680>.

2. Defense counsel alleged misdoing on the part of patent applicants with such abandon in the past that the practice was widely perceived to have reached the level of an epidemic by the late 1980's, when Judge Nichols famously dubbed it a "plague." See *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) ("[T]he habit of charging inequitable conduct in almost every major patent case has become an absolute plague. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client's interests adequately, perhaps."). "Inequitable conduct" is an affirmative defense to claims of patent infringement which, when proven, renders the patent unenforceable against the infringer; the character and bounds of the inequitable conduct doctrine have been subject to a number of expansions and contractions over the years, but the plague has never really abated. See generally Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 Harv. J.L. & Tech. 37 (1993); Lee Petherbridge, Jason Rantanen & Ali Mojibi, *The Federal Circuit and Inequitable Conduct: An Empirical Assessment*, 84 S. Cal. L. Rev. 1293 (2011). Most recently, a closely divided Federal Circuit "worked a seismic shift in the law of inequitable conduct" in an effort to "redirect a doctrine that has been overused to the detriment of the public." *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011) (*en banc*); *Therasense, Inc., v. Becton, Dickinson & Co.*, 864 F. Supp. 2d 856, 859 (N.D. Cal. 2012).

3. See Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 Colum. Sci. & Tech. L. Rev. 93 (2011).

4. *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP*, No. 09-CV-5157, slip op. (C.D. Cal. Nov. 24, 2009), *aff'd*, 403 Fed. App'x. 508 (Fed. Cir. 2010), *reh'g and reh'g en banc denied* (Fed. Cir. 2011), *cert. denied*, 132 S. Ct. 97 (2011). While *Lockwood* was on petition for certiorari, the case was among SCOTUSBlog's "Petitions to Watch" and Hal Wegner's "Top Ten Patent Cases."

5. See, e.g., Michael Hiltzik, *Defending Patents Takes Financial Toll on Inventor*, L.A. Times, June 14, 2011 (Since "a patent is a wasting asset" and "the rapid march of technology can sap a patent's value long before the 20 years [of its term] are up," the time lost in reexamination "can mark the difference between a patent system that creates a genuine incentive for innovation and one that generates worthless scraps of official paper."); Sen. Birch Bayh (Ret.), Op-Ed., *Patently Unjust*, The Hill, (Jul. 11, 2011), <http://thehill.com/blogs/congress-blog/labor/170659-patently-unjust> ("When Senator Bob Dole and I joined to pass ground-breaking legislation on patent [reexamination] . . . we never intended for it to allow malicious attacks on patents or to create an incredibly uneven

channels: if applicants can deceive the PTO into granting a patent, could this not work in reverse? Might not the PTO's mechanisms for reviewing issued patents—known as patent reexamination⁶—be

playing ground for small inventors.”); David Hricik, *Hold Lawyers Liable for Misconduct*, Nat'l L.J. (Aug. 22, 2011), http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202511648811&Hold_lawyers_liable_for_misconduct (“The pernicious impact of *Lockwood* on re-examination practice is plain. If the past is any guide, the odds of the PTO disciplining a lawyer for fraudulently invoking a re-examination proceeding [are] ethereally thin, and so baseless re-examinations will be filed with impunity, reducing the value of patents, delaying litigation and increasing its cost, and increasing the workload of the PTO.”); *America Invents Act: Impact On Patent Processing And Litigation Strategies*, Metro. Corporate Counsel, Oct. 24, 2011, available at http://www.kelleydrye.com/news/in_the_media/1154/_res/id=Files/index=0/ARTICLE_MCC%20Interview_November%202011.pdf (“[A]t this point in time, it can be said that . . . people [can] file administrative challenges [to patents] carte blanche even on the most spurious grounds without fear of any real repercussions.”).

6. Patent reexamination is an administrative mechanism proceeding whereby parties may challenge the validity of patents and, in doing so, take advantage of the PTO's inherent technical expertise. Reexamination was intended as a cheaper means of adjudicating patent validity than litigation, permitting the PTO—traditionally the target of criticism for inadequate initial examination—a chance to correct mistakes in issuing patents. See generally Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 Harv. J.L. & Tech. 1 (1997). *Ex parte* reexamination, codified at 35 U.S.C. §§ 301-307, was created in 1980 and followed in 1999 by the enactment of an *inter partes* variant, 35 U.S.C. §§ 311-318 (1999), which permitted the patent challenger (or “third-party requester”) the right to participate during the merits of the reexamination proceeding and to appeal the outcome. With the passage of the America Invents Act, *inter partes* reexamination was repealed and replaced by three new administrative procedures for challenging patents: post-grant review, *inter partes* review, and the so-called ‘transitional program for covered business method patents,’ which follows roughly the same procedures as post-grant review. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codifying these procedures at 35 U.S.C. §§ 311-319, 321-329 (2009)). The original *ex parte* reexamination procedure has, somewhat perplexingly, been retained; some commentators who argue that *ex parte* reexamination has outlasted its usefulness contend that it, too, should be repealed. See Stefan Blum, *Ex Parte Reexamination: A Wolf in Sheep's Clothing*, 73 Ohio St. L.J. 395, 433-34 (2012).

Whether the PTO's difficulties in issuing valid patents should be addressed by infusing the Office with resources to examine patent applications more rigorously in the first place, or by enhancing reexamination procedures, has been the subject of debate. Compare, e.g., Paul R. Michel, *Leading Citizens: Lead Congress So Congress Will Lead Your Country*, 20 Fed. Cir. B.J. 265, 268 (2010) (recommending, *inter alia*, an immediate one-time capital investment of \$1 billion in the PTO); *The Reexamination Center Executive Interview: Chief Judge Paul R. Michel (part 1 of 3)*, The PTO Litig. Center (Aug. 30, 2011), <http://reexamcenter.com/2011/08/the-reexamination-center-executive-interview->

subverted through fraud or sleights of hand, inducing the Office to waste the patent term in years of needless review⁷ or even to revoke a patent on the basis of false evidence?⁸

In retrospect it should have been easy to see that, left unpoliced, the legitimate use of reexamination could deteriorate into “economic predatory activity.”⁹ Even the direct costs of

chief-judge-paul-r-michel-part-1-of-3/ (“I don’t accept the assumption that most patents are bad and therefore the more reexams we have the better”), *with* Judge Pauline Newman (“In patent examination I would make it easier to challenge issued patents. I think that there isn’t very much hope, no matter what, of improving examination at the core, although that was the hope twenty years ago.”), *and* Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 Berkeley Tech. L.J. 577, 614 (1999) (proposing expanded patent opposition processes). Congress, in its recent expansion of administrative procedures for challenging patents, has clearly opted in favor of strengthened opposition procedures.

7. See generally Mercado, *supra* note 3 (explaining the economic impact of protracted reexamination proceedings on patent holders); see also Raymond A. Mercado, *Stop Endless Second-Guessing*, Milwaukee J. Sentinel (June 26, 2010), <http://www.jsonline.com/news/opinion/97193169.html>; Chief Judge Paul R. Michel (Ret.), *Innovation for the Modern Era: Law, Policy and Legal Practice in a Changing World*, Lecture at Emory University School of Law, 1:08:40-1:09:15 (Feb. 8, 2012) (“If it ends up putting a heavy cloud over the viability of a lot of patents, there’s a risk that their value will go down, at least as long as the cloud lasts, which I say can be many years. If that happens, what’s happening to investment incentives? They’ve got to go down too, I think. I’m not an economist but I don’t see how they cannot go down if there’s a serious cloud that lasts for years.”). As one survey respondent tersely explained, “a patentee can never get back any time spent in reexamination (as opposed to initial prosecution where the delay is caused by the PTO), so [they] can be and are used to game the system and keep cases out of courts.” Quoted Comment of Respondent.

8. See *Total Containment, Inc. v. Environ Prods, Inc.*, 921 F. Supp. 1355, 1378 (E.D. Pa. 1995) (“[W]hen a reexamination requester other than the patent owner fails to exercise candor and good faith during a reexamination proceeding, the fact might never be discovered. If, by withholding material information, the requestor is successful in having the claims of its opponent’s patent canceled, any pending litigation would be dismissed. The patent owner would not have an opportunity to discover the withheld information in subsequent litigation.”).

9. See *Industrial Innovation and Patent and Copyright Law Amendments: Hearings on H.R. 6033, H.R. 6934, H.R. 3806, H.R. 2414 (The President’s Industrial Innovation Program) Before the Subcomm. on Courts, Civil Liberties, and the Admin. of Justice of the House Comm. on the Judiciary*, 96th Cong. 286 (1980), at 246 (testimony of Eric P. Schellin, National Small Business Association, Small Business Legislative Council, American Society of Inventors, and National Patent Council). Schellin warned of the contemporaneous abuses of patent opposition proceedings occurring in West

defending these proceedings can be burdensome—particularly for small inventors—, running up to “hundreds of thousands of dollars in legal fees;” hence “many smaller companies, universities, and others, when faced with these costs will simply abandon their patent because they lack money to defend themselves.”¹⁰ Indeed, the newest generation of patent opposition proceedings is expected to be even more costly¹¹ and to “provide an avenue for the big guys to go against the little guys . . . giv[ing] the larger operators the opportunity to challenge patents obtained by the individual inventor and even by universities that might not be able to withstand that kind of a barrage of legal fees and costs and uncertainty.”¹²

These concerns prompted assurances from then AIPLA President David Hill that the sky was not falling upon the patent reexamination process after all. And yet, had one scanned the ground for signs of a tumbled cloud, one would have found in Hill’s very guarantees a key concession. “Although baseless requests for reexamination may frustrate some patent owners,” he allowed, “such requests do not present a significant risk for the overwhelming majority of patent holders.”¹³ This was no more than conjecture, of course, given the absence of empirical data. But in forming that conjecture, Hill acknowledged what many already knew: that such abuse *can* happen.

This Article demonstrates that, in the opinion of patent practitioners, it *does* happen.

Germany, hopeful that the inclusion of a threshold standard for reexamination in 35 U.S.C. § 303 would forestall that possibility. *Cf.* Moore, *supra* note 5 (“Interestingly, when I worked in-house, we spent as much money on [patent] oppositions in Europe as on litigation in America.”). In practice, however, the standard of § 303 is notoriously low and has not functioned as an effective safeguard against predatory behavior. *Cf. infra* notes 53-55 and accompanying text.

10. *Executive Business Meeting of the S. Judiciary Comm.*, 111th Cong. (2009) (statement of Sen. Jon Kyl), *available at* <http://judiciary.senate.gov/webcast/judiciary03312009-1000.ram>.

11. PLIisCLE, *Oblon, Spivak’s Stephen G. Kunin on Post-Grant Review, Reexamination, and Litigation Issues*, YouTube (Dec. 2, 2011) <http://www.youtube.com/watch?v=Uv-6NZFeynI> at 07:40-7:55, (“More likely than not, I would estimate that the cost to a party in the proceedings running the full gamut is going to be \$200,000-400,000.”).

12. Former Circuit Judge Arthur J. Gajarsa, Lecture at the University of New Hampshire School of Law on the America Invents Act: Post-Grant Review, 54:50-55:40 (Apr. 20, 2012), *available at* <http://www.youtube.com/watch?v=pHQ4afLiNY4>.

13. Hill, *supra* note 1.

What follows, therefore, is an attempt to carry the discussion of these phenomena from the realm of anecdote onto firmer ground. To do so, results are presented from a survey of patent practitioners undertaken to determine the nature and extent of fraud, frivolousness, and other forms of misconduct in reexamination. The task is a difficult one. Indeed, using a survey to shed light on these matters could easily have been a quixotic enterprise. For such charges are so loathsome that one might have predicted a great reluctance on the part of respondents to make them; the survey might thus have uncovered no evidence of mischief whatsoever, and the mere suggestion of impropriety been received as so outrageous as to drive away most participants. On the other hand, from the history of the inequitable conduct doctrine one could have just as sensibly expected allegations of fraud in most every instance—a result that would have indicated more about the vindictiveness of the patent bar than the true extent of misconduct. A reasonable observer might have predicted the survey approach to founder on either of these extremes.

Happily, this project charted a steadier course. Its response rate, I believe, indicates the delicate nature of these issues in the eyes of practitioners; rather than simply ignoring the survey, several recipients (some, after checking with their clients) took the trouble to decline the invitation to participate, though they were assured their identities would be kept confidential. Such express refusals are hard to assess and are of course not counted here, but they do seem to suggest that the levels of misconduct estimated *infra* may be somewhat conservative, since it is difficult to imagine practitioners with nothing to report engaging in any soul-searching about this survey and then ponderously refusing to participate.¹⁴

14. For example, one recipient declined the invitation, saying, “We've considered at length your offer to participate in your survey and appreciate the importance of results to your academic effort. Nonetheless, we must decline. We are in the middle of significant litigation on the patent that was being reexamined, and we don't feel it to be in our client's interest to respond.” Response from Survey Recipient (August 13, 2012). Another opined that “I think you'll be hard pressed to find *totally* meritless or fraudulent requests for reexams” because “[t]he PTO will typically grant even very weak requests.” “That being said,” the recipient continued, “I'm sure the targets of weak reexam requests would prefer not to have to expend the resources necessary to address the request properly, but that's the way the game is played.” Response from Survey Recipient (July 11, 2012) (emphasis added). This recipient's argument against the existence of fraud in reexam, it should be noted, restates a common (and flawed) argument discussed *infra* Section II.B.1, that the standards for reexamination are so low that all must (by those permissive standards) have

The allegations of misconduct, while substantial, were not at the level one would be accustomed to expect in the inequitable conduct context, and for good reason. For one thing, studies of inequitable conduct have typically considered reported cases, where the pressures of litigation provided a strong incentive for alleging misconduct; had patent litigators been surveyed about their actual views, scholars might have made a more accurate appraisal. Moreover, it is important to understand it would have been useless to consider reported cases in the reexamination context because—in contrast to the inequitable conduct doctrine, which provides a defense to a claim of patent infringement—there is no “mirror image” right of action for the patent holder harmed by a fraudulent or baseless reexamination. No federal cause of action is provided by statute, and the *Lockwood* case established that state common law claims are preempted, a fact bemoaned by many in the patent bar.¹⁵ With no judicial remedy available, it is unsurprising that no reported cases exist. In addition, the PTO’s disciplinary arm almost never delves into cases of this nature.¹⁶ Hence, there was no obvious alternative to the survey method for looking into reexamination misconduct.

At the time of writing, many in the patent law community were doubtful of the PTO’s ability to administer the new patent opposition procedures. Yet it is crucial that the PTO be able to carry out its new obligations effectively, particularly given their looming impact on the Federal Circuit, where the number of appeals from post-issuance proceedings are expected to increase

some merit. In any case, whatever suspicions we may have regarding the motives for refusals such as these, they are impossible to determine.

15. See *Lockwood v. Sheppard, Mullin*, No. 09-CV-5157, slip op. at 8, 12 (C.D. Cal. Nov. 24, 2009) (holding, *inter alia*, plaintiffs’ claims for malicious prosecution and fraud preempted by federal law); see also *Intellectual Property 2010-2012 Winter Bulletin*, Fenwick & West, 7 (Jan. 14, 2011), <http://www.fenwick.com/publications/Pages/Intellectual-Property-Bulletin-Winter-2010-2011.aspx> (“If a patent holder has no ability to punish persons for unwarranted reexamination requests, what can stop an unscrupulous party from lying to the USPTO to initiate a reexamination?”); Dennis Crouch, *Untouchable: Sham Reexamination Requests*, Patently-O (Nov. 15, 2010), <http://www.patentlyo.com/patent/2010/11/untouchable-sham-reexamination-requests.html> (The result in “[t]his case opens the door to some amount of bad-behaviour [sic] in the filing of reexamination requests. Patent attorneys who file sham-requests can be sanctioned through the USPTO’s Office of Enrollment & Discipline. However, an anonymous third party requester may be untouchable.”).

16. See *infra* note 73; see also Mercado, *supra* note 3, at 147-52.

vastly.¹⁷ Veteran reexamination specialists have voiced apprehension:

Personally, I have some doubt about how well the agency will be able to carry out its Congressionally mandated directives with all these different ways of challenging the validity of the patents. Those of us who practice in the United States, we are aware how lengthy and drawn-out the procedures are with regard to *ex parte* and *inter partes* reexaminations and that's primarily because the PTO staff is overloaded, they have too many of these cases that are very complex. Imagine what will happen now that we have at least two other ways of challenging the validity of the patents. I think I'm a little bit concerned with the agency's ability to carry out its Congressionally mandated responsibilities. I just don't see how they will be able to train so many new people in an entirely new way of challenging the validity of patents.¹⁸

17. Former Circuit Judge Arthur J. Gajarsa, Lecture on the America Invents Act, University of New Hampshire School of Law, 40:15-40:50 (Mar. 21, 2012) ("I am figuring that the number of cases that will be coming up to the [Federal Circuit] . . . will probably double in the first five years and triple in the next ten, just because of these post-issuance proceedings."), *available at* <http://www.youtube.com/watch?v=GVd6DwhXadw>; Chief Judge Randall R. Rader, Lecture at the Patent Litigation & America Invents Act Conference, Franklin Pierce Center for Intellectual Property, University of New Hampshire School of Law, 07:45-08:45 (May 18, 2012) (discussing the impact of the AIA on the workload of the Federal Circuit and referring to the several new administrative procedures for challenging patents as "the real biggie," each variant of which "will generate an independent stream of cases coming to the Federal Circuit"), *available at* <https://www.youtube.com/watch?v=dcZ7OByqJgk>.

18. Abe Hershkovitz, Presentation on Reexamination Practice Before the USPTO at the 5th Annual Intellectual Property Summit held in Ahmedabad, India (Jan. 5, 2012), *available at* <http://www.youtube.com/watch?v=yrf2pUABrg4>; *see also* Interview with former Chief Judge Paul R. Michel by *The Reexamination Center*, Part 3 of 3 (Sept. 1, 2011), *available at* <http://reexamcenter.com/2011/09/the-reexamination-center-executive-interview-chief-judge-paul-r-michel-part-3-of-3/> ("The Patent Office has no experience at that – has no experience at trial-like proceedings, no experience operating discovery systems, no experience operating sanction systems for abuses of discovery, no experience with trial-like motions practice. It's going to be lot of learning, a lot of new challenging things for these Patent Board Judges to master and as far as I can tell the Patent Office isn't getting the resources to pay much higher salaries. It isn't getting the resources to triple or quadruple the size of the Board to handle all these new things. So my worry is that in the absence of a

Although some have rightly cautioned that it will “take a while before we know whether the [expansion will prove] correct, wrong or of no consequence,”¹⁹ it cannot be disputed that the success of the new procedures will depend on their freedom from fraud and other misconduct.

Accordingly, this Article attempts to draw lessons from patent practitioners’ experience with reexamination procedures. Section II surveys the state of the discourse regarding misconduct in reexamination, bringing to light hitherto ignored legislative history indicating concern that the newly created administrative procedures would be vulnerable to fraud and abuse. Section III describes the methods of the survey and the profile of participants. Section IV presents results suggesting that misconduct has been quite prevalent in reexamination. Section V concludes that the integrity of the expanded administrative procedures can be ensured by a damages remedy that would simultaneously deter misconduct and compensate patent owners when it does occur. A private right of action, this Article contends, would incentivize those most attuned to impropriety (the patent owners) to come forward and take the lead in enforcing good conduct in administrative validity challenges. Imposing strict pleading standards and a robust materiality requirement from the outset can ensure that this will not lead to a “plague” of claims as happened in the days of the unfettered inequitable conduct doctrine.²⁰

II. BACKGROUND

A. The State of the Discourse Surrounding the Use and Abuse of Patent Reexamination: A Conversation Comes of Age

Ever more widely, the weapon of choice in “the tactical armory of litigators,”²¹ patent reexamination is at perhaps the zenith of its potency. Recent years have seen reexamination blessed as a “backdoor” means of forcing the PTO to undertake a priority

huge boost in resources, these new procedures are going to be a disaster because the personnel just aren’t going to be there to handle them.”).

19. Interview by Aaron G. Fountain, DLA Piper, with Former Circuit Judge Arthur J. Gajarsa (Jun. 26, 2012), *available at* <http://www.dlapiper.com/the-honorable-arthur-gajarsa/> (referring to new procedures created by the AIA).

20. *See infra* Section V.

21. *In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1369 (Fed. Cir. 2012) (Newman, J., dissenting).

analysis²² and used to attack “final” district court judgments,²³ with little more than a murmur about the abuses these decisions might

22. *In re NTP, Inc.*, 654 F.3d 1268, 1275-78 (Fed. Cir. 2011). The issue referred to here was whether the PTO would be permitted to determine priority under 35 U.S.C. § 112 during reexamination whenever a patent claims priority to an earlier application and the requester submits a reference which would be prior art if the chain of priority were to be broken (a so-called “intervening reference”). To reach the §§ 102-103 issues, the PTO would first need to undertake a § 112 analysis in order to determine the priority date to which the patent is entitled, and thus whether a given reference constitutes prior art available for consideration in the reexam. NTP argued that the PTO was blocked from doing so, since reexamination is limited by statute to consideration of issues under 35 U.S.C. §§ 102-103. *See* 35 U.S.C. § 301. Responding to Judge Clevenger’s concern that allowing consideration of § 112 issues in this way would be a “real hijack,” forcing patent applicants to “go in and beg the [PTO] examiner to do a § 112 [analysis]” explicitly on the record, NTP pointed to possible abuses by requesters. *See* Oral Argument at 02:45:55-02:46:55, *NTP* (Mr. Buroker: “If this is insufficient, there will have to be a lot more prosecution done in every case to forestall this kind of a situation because, in every reexamination involving a continuation, the parties who want to challenge a patent on § 112 grounds will find an intervening reference, say it creates prior art, and say it’s because its claims aren’t supported. This will open the floodgates in the reexam, there’s no question.”).

Judge Moore speculated rather optimistically that, should the court err with a loose approach to the § 112 issue in reexamination (which is the one ultimately adopted in the case), Congress would step in to correct the mistake. *See* Oral Argument at 02:52:15-02:53:55, *NTP* (Judge Moore: “You made a policy argument that this is going to open the floodgates, is that right? . . . But is that a bad thing? And I ask you because if these patents don’t have § 112 support, i.e., they’re not entitled in this case to the parent filing date, why isn’t it better to resolve it now than have lots of people out in the public have to deal with the consequences? So from a policy standpoint, I guess opening up the floodgates, to me – why isn’t that a good thing?” Mr. Buroker: “This is a backdoor § 112 rejection, they can call it what they want but this is a § 112 new matter rejection, and that’s not what Congress contemplated when they issued a statute with limited scope.” Judge Moore: “Well the good news is after *Portola* and what [the *Portola* panel] did, no matter which way we go, if we do it wrong, they’ve [Congress] already demonstrated that they’re willing to step in and say so, and to the extent that they did that, they did it kind of the opposite of what you want, right? We adopted a narrow approach to reexam in *Portola* and they said ‘no.’” Mr. Buroker: “Right, so if Congress wants to allow there to be § 112 examination of patented claims, they can amend the statute to permit it.”). The PTO, for its part, was undaunted by the possible increases in workload from patent applicants hoping to forestall “backdoor” § 112 challenges by addressing them in detail at the front-end. *See* Oral Argument at 3:31:25-3:33:22, *NTP* (Judge Clevenger: “Is the Office troubled at all by the increased burden on examiners that’s likely to flow from your winning on this point?” Associate Solicitor Nathan K. Kelly: “Certainly there is no one more fearful of an opening of the floodgates than the agency; we are already very deep in the water. But, first of all, I don’t necessarily agree with the floodgate theory . . . I think all I can

invite.²⁴ In one case, a Federal Circuit panel initially crafted a rule whereby reexamination would grant intervening rights²⁵ to accused

say, your Honor, is that if there are patents that we should not have issued because there's . . . an intervening reference and there's a lack of priority, I think the law is clear that those are the very patents we should be reexamining.”).

23. See, e.g., *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 F. App'x 988 (Fed. Cir. 2007) (vacating district court judgment of validity, damages award, and permanent injunction, in light of the PTO's rejection of the patent in reexamination); *In re Constr. Equip. Co.*, 665 F.3d 1254, 1256 (Fed. Cir. 2011) (affirming PTO's finding of invalidity in reexamination requested by competitor after district court permanently enjoined it from practicing the patentee's invention); *In re Baxter Int'l. Inc.*, 678 F.3d 1357, 1366 (Fed. Cir. 2012) (affirming PTO's rejection of patent in reexamination after district court held that competitor had failed as a matter of law to prove the invention obvious).

24. Judge Newman dissented vigorously in *In re Constr. Equip.* and *Baxter*, suggesting that countenancing reversals of district court judgments via administrative action in reexam, besides being legally untenable, would result in its use for that purpose by losing parties. “The possibilities for vexation and abuse were perceived from the initiation of reexamination,” Newman noted, going on to quote from a pair of commentators skeptical of Commissioner Diamond's oft-repeated claim that reexam was so structured as to be immune from abuse. *Baxter*, 678 F.3d at 1368 (Newman, J., dissenting).

It is perhaps possible to speculate without too much presumption that, since the same passages from these commentators were recently highlighted (as they had not been elsewhere in the literature) by Mercado, *supra* note 3, the latter had made some impact on Newman by the time of *Baxter*. Her reluctance to cite the paper may have arisen from its criticism of the *Lockwood* decision by the panel whereon she sat. See Mercado, *supra* note 3, at 149-51. Certainly an early draft of the paper, which tried to articulate the problem of fraud in reexamination and its implications, was cited to the court in the *Lockwood* briefing. See Reply Brief of Appellants at 17, *Lockwood v. Sheppard Mullin*, 403 F. App'x 508 (Fed. Cir. 2010) (No. 2010-1189). Though I disagree with the decision in that case, I admire Judge Newman's sensitivity to the balance that must be struck between the interests of patent owners, challengers, and the public, if the reexamination and its progeny are to achieve their goals without undermining the certainty of patent rights. See *Patlex Corp. v. Mossinghoff* (“*Patlex I*”), 758 F.2d 594 (Fed. Cir. 1985) (Newman, J.), *aff'd in part and rev'd in part on reh'g* (“*Patlex II*”), 771 F.2d 480 (Fed. Cir. 1985); *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1397 (Fed. Cir. 1996) (Newman, J.) (“[U]nwarranted reexaminations can harass the patentee and waste the patent life.”); *In re Lonardo*, 119 F.3d 960, 969 (Fed. Cir. 1997) (Newman, J., dissenting) (“[A] primary concern [of Congress] was the encumbrance on the patent during reexamination proceedings,” lest “the life of an issued patent be wasted and the patentee's legitimate rights be abused by third party requests for reexamination.”); *Fresenius USA, Inc. v. Baxer Int'l, Inc.*, 582 F.3d 1288, 1305 (Fed. Cir. 2009) (Newman, J., concurring) (“[I]f [reexamination is] routinely available to delay the judicial resolution of disputes, the procedure is subject to inequity, if not manipulation and abuse, through the delays that are inherent in PTO activity.”); *In re Baxter Int'l, Inc.*, 698 F.3d 1349, 1352 (Fed. Cir. 2012) (Newman, J., dissenting from denial of reh'g en banc) (criticizing the Federal

infringers in virtually every instance, animated by the concern that “a contrary rule would allow patentees to abuse the reexamination process”²⁶—as if the potential for abuse ran only one way. Once the case went *en banc*, however, amici from industry pointed out that “[r]eexamination proceedings are already vulnerable to abuse and gamesmanship from third-party requesters,” and that, under the court’s rule, infringers would “be incentivized to present absurd positions of claim scope to entice a patent owner to respond” on the record and thus give rise to argument-based intervening rights.²⁷ Amici criticized the panel decision for “ignor[ing] the realities that patent owners face when their patents are collaterally attacked via reexamination during parallel enforcement actions,” suggesting that “it is the accused infringers who will more readily abuse the reexamination process by initiating multiple reexamination proceedings in an attempt to create argument-based intervening rights.”²⁸

Circuit’s holding that a district court judgment on issues of patent validity has no preclusive effect on the PTO’s consideration of those issues in reexam because it “has created an additional burden and disincentive to inventors, for reexamination after a patent has been sustained in court is a multiplier of cost, delay, and uncertainty, in direct negation of the principles of *res judicata*.”)

25. See *Marine Polymer Techs., Inc. v. Hemcon, Inc.*, 659 F.3d 1084, 1084 (Fed. Cir. 2011), *reh'g en banc granted, opinion vacated*, 475 F. App'x 315 (Fed. Cir. 2012), and *on reh'g en banc*, 672 F.3d 1350 (Fed. Cir. 2012). The intervening rights doctrine absolves an infringer of liability for patent infringement when the accused product is covered by claims which have been substantively changed during reexamination (or reissue). For example, if a patentee amends his claims during reexamination, he is not entitled to damages for such infringement of those claims as occurred prior to the reexam; infringers thus gain “intervening rights” to make, use or sell pre-existing products. The issue in *Marine Polymer* was whether, for purposes of the intervening rights doctrine, reexamined claims may be considered “substantively changed” only through explicit, textual amendments or through arguments made during reexam as well. The panel adopted the latter approach, fearing that patentees would attempt to avoid intervening rights by making substantive changes to claims via argument; however, Judge Lourie’s approach in dissent, limiting intervening rights to textual changes, was adopted *en banc*.

26. *Marine Polymer*, 659 F.3d at 1092.

27. Brief for the Biotechnology Industry Organization (“BIO”) and Pharmaceutical Research and Manufacturers of America (“PhRMA”) as Amici Curiae Supporting Appellee and Affirmance of the Lower Court Decision at 14, *Marine Polymer Techs., Inc. v. Hemcon, Inc.*, 672 F.3d 1350 (Fed. Cir. 2012).

28. Brief of Sovereign Software LLC and Tessera, Inc. as Amici Curiae Supporting Plaintiff-Appellee at 17-18, *Marine Polymer Techs., Inc. v. HemCon, Inc.*, No. 2010-1548 (Fed. Cir. Feb. 10, 2012). See also *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1364-65 (Fed. Cir. 2012) (*en banc*) (“Thus, the fear of gamesmanship [by patent holders] does not persuade us to rule

The same period saw some lively exchanges between members of Congress and PTO officials, which have gone unnoticed in otherwise thorough scholarship reviewing the legislative history of the America Invents Act (“AIA”).²⁹ Responding to unspecified “assertions” that the newly proposed patent opposition procedures “may be abused to harass patent owners and interfere with the enforcement of valid patents,” a trio of congressmen stated in the House Report to the AIA that “no empirical evidence, even anecdotally, was proffered to the Committee to demonstrate [that] such abuses occur in the current reexamination system.”³⁰ As a matter of record, that is not correct: the House Subcommittee on Intellectual Property, Competition, and the Internet *did* hear anecdotal evidence of possible abuses on three occasions during the patent reform debates, one of which was a hearing specifically directed to the proposed legislation.³¹ For example, Rep. Tom Reed explained:

[O]ne thing that’s been brought to my attention that I am greatly concerned about is law firms, such as a group called

contrary to the plain meaning of the statute. Various amici have in fact pointed out that such gamesmanship concerns run both ways, suggesting that HemCon's interpretation § 307(b), if adopted, would invite putative infringers to initiate reexamination proceedings with marginal or non-invalidating prior art. Under HemCon's rule, such a requestor could expect that, even if the reexamination ultimately confirms all claims as patentable without amendment, the patent owner will necessarily make substantive arguments in defending the claims, thereby allowing the requestor to allege intervening rights based on those arguments. In any event, we cannot and will not speculate about possible consequences with respect to situations not before us and which we cannot foresee.”).

29. See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir. B.J. 435 (2011); Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539 (2012).

30. H.R. Rep. No. 112-98, at 164 (2011) (statement of Rep. Howard L. Berman, Rep. Melvin L. Watt and Rep. Zoe Lofgren).

31. *Crossing the Finish Line on Patent Reform, What Can and Should Be Done: Hearing Before the Subcomm. on Intellectual Property, Competition and the Internet, of the H. Comm. on the Judiciary*, 112th Cong. (2011), available at http://judiciary.house.gov/hearings/printers/112th/112-8_64407.PDF; *Review of Recent Judicial Decisions On Patent Law: Hearing Before the Subcomm. on Intellectual Property, Competition and the Internet, of the H. Comm. on the Judiciary*, 112th Cong. (2011) (statement of Rep. Reed), available at http://judiciary.house.gov/hearings/printers/112th/112-20_65078.PDF; *Leahy-Smith America Invents Act: Hearing on H.R. 1249 Before the H. Subcomm. on Intellectual Property, Competition and the Internet, of the H. Comm. on the Judiciary*, 112th Cong., 119-121, 1st Sess. (2011) (statement of Rep. Reed).

the Patent Assassins. I don't know if you've heard of them. But some advertising came into my office where they specialize in going through and attacking legitimate patents, in my opinion, through the [existing] reexamination . . . process. And I'm concerned about that because in their materials they talk a lot about, well, we have the expertise, we have the specialty to tie these legitimate patents up. They don't use the term 'legitimate patents,' obviously, but tie these up and [they say] we can attack it through the PTO Office. And to me that's just a symbol of something that demonstrates commitment to frivolous action that's going to abuse the process. So I am concerned about, in particular, the post-grant review proposals that are in the Senate bill or the House bill.³²

While expressing his concern that the expansion of administrative review procedures might lead to "the commencement of frivolous"³³ proceedings in the PTO, Rep. Reed reiterated that of "the group called the 'patent assassins,' [that] I have shared that information with Members of the Committee and others, where [sic] they market, in my opinion, their business model is to attack patents on [sic] a frivolous nature to essentially, [in] my opinion, shake people down and corporations down for financial purposes."³⁴ In April, Rep. Michaud joined Reed in writing to Chairman Lamar Smith and Ranking Member Conyers, pointing out that "patent reexaminations are already subject to abuse" and requesting that the threshold standard for the proposed *inter partes* review procedure be raised to a "reasonable likelihood of success."³⁵

Though these concerns may not have registered with other members of the House Committee,³⁶ contemporaneous accounts

32. *Crossing the Line*, *supra* note 31, at 49.

33. *Review of Recent Judicial Decisions on Patent Reform*, *supra* note 31, at 53.

34. *Hearing on H.R. 1249*, *supra* note 31, at 120.

35. Letter from Rep. Michaud and Rep. Reed to Rep. Smith and Rep. Conyers (April 11, 2011). Closely paralleling this proposal, the threshold standard for *inter partes* review as enacted requires the petitioner to show that he would "prevail with respect to at least one of the claims challenged in the petition" before the PTO may authorize an *inter partes* review. 35 U.S.C. § 314. Unfortunately, it is uncertain whether the PTO is poised to apply this seemingly more rigorous standard or whether it will continue its past practice of granting virtually every petition. *See infra* notes 49-50 & accompanying text.

36. From the record it appears that, of the congressmen who denied the committee had heard evidence that existing procedures were being abused,

were demonstrating, though again largely through anecdote, the prevalence of fraud and abuse in reexamination proceedings.³⁷ Patent practitioners had been aware that “the reexamination system is now subject to abuse by third party requesters” and that “[s]uch abuse takes the form of serial reexaminations of the same patent . . . or the filing of non-meritorious requests for reexamination.”³⁸ Subsequent to the House Report, the former Chief Judge of the Federal Circuit observed that reexamination procedures “are being abused today—not in every case, but in many cases,”³⁹ warning that “the potential for abuse is substantial today and it will increase hugely if the Bill [the America Invents Act] is passed.”⁴⁰

At one hearing, Rep. Zoe Lofgren questioned PTO Director David Kappos as to whether “allegations that the current [reexamination] system is being abused might be off the mark,” to which Kappos responded “I would agree with that.”⁴¹ However, several months later, in reply to a letter from former Sen. Birch Bayh—a key supporter of the original reexamination legislation who had written Kappos with concerns that the reexamination process was being abused⁴²—Director Kappos stated that the PTO was “particularly concerned whenever a patent owner is subjected to a fraudulent reexamination or some other form of harassment.”⁴³ One might attribute the tension between Kappos’

Rep. Berman was not present at any of the three hearings during which this was discussed, whereas Rep. Lofgren was present for two and Rep. Watt for all three. It is not clear from Rep. Reed’s statement whether he shared information with some or all members of the committee. *See supra* note 34 and accompanying text.

37. *See* Mercado, *supra* note 3.

38. *Id.* at 96, n.20 (quoting Interview by *The Reexamination Center* with Taraneh Maghame (Oct. 12, 2009)).

39. Interview with Chief Judge Paul R. Michel (Ret.) by *The Reexamination Center*, Part 1 of 3 (Aug. 30, 2011), available at <http://ptolitigationcenter.com/2011/08/the-reexamination-center-executive-interview-chief-judge-paul-r-michel-part-1-of-3/>.

40. Interview with Chief Judge Paul R. Michel (Ret.) by *The Reexamination Center*, Part 2 of 3 (Aug. 31, 2011), available at <http://ptolitigationcenter.com/2011/08/the-reexamination-center-executive-interview-chief-judge-paul-r-michel-part-2-of-3/>.

41. *See Hearing on H.R. 1249, supra* note 31, at 52.

42. Letter from Hon. Birch Bayh to David Kappos (May 17, 2011) (requesting Director Kappos’ “assistance in remedying abuse of the PTO’s reexamination process, which is an important problem that threatens patent owners across the United States”) (citing Mercado, *supra* note 3).

43. Letter from David Kappos to Hon. Birch Bayh (June 3, 2011), 157 Cong. Rec. E1311 (daily ed. July 13, 2011).

statements to political exigencies and a reluctance to concede that proceedings before the agency he oversaw were being abused. Kappos clearly appreciated the economic implications of reexamination,⁴⁴ and, prior to his tenure, the PTO had cited difficulty in “weeding out” meritorious from unmeritorious requests for reexamination “prior to instituting a full-blown [reexamination] proceeding.”⁴⁵ In any case, shortly thereafter, Rep. Rohrabacher entered Kappos’ reply into the Congressional record, averring that “the underlying issue involved should be of great concern.”⁴⁶

During the same period, PTO Commissioner Robert Stoll was asked by a journalist what the PTO was “doing to prevent abuse of the reexamination process.”⁴⁷ In response, Stoll acknowledged that “[s]ome view there to be a ‘cloud,’ so to speak, over a patent undergoing reexamination,” but reiterated that “during a reexamination proceeding a patent remains valid and enforceable” and “patentees may continue to enforce their patents without change”⁴⁸—a statement which, while technically true, is rather remote from the reality patent owners face. It is well known that judges are strongly inclined to stay patent infringement cases when a reexamination proceeding is pending, a tendency unlikely to prove different vis-à-vis post-grant review. Some district courts are granting motions to stay up to 85% and 65% of the time, and one district maintains “a liberal policy in favor” of granting such motions, making it very difficult for patent owners to enforce their rights.⁴⁹

Stoll asserted that the PTO “monitors activity in reexamination for a variety of purposes, including . . . addressing real or

44. See Mercado, *supra* note 3, at 103 (quoting Kappos as saying that “there are lots and lots of jobs riding on the patents we have in reexamination”).

45. See *Revisions and Technical Corrections Affecting Requirements for Ex Parte and Inter Partes Reexaminations*, 71 Fed. Reg. 16072-01, 16073 (Mar. 30, 2006); see also Mercado, *supra* note 3, at n. 134 & 178 (discussing the implications of the Notice).

46. 157 Cong. Rec. E1311 (daily ed. July 13, 2011) (statement of Rep. Rohrabacher).

47. Interview with Robert C. Stoll, *Inventor’s Digest* (Oct. 2011).

48. *Id.*

49. See *Nat’l Prods. v. Gamber-Johnson, LLC*, No. 2:12-cv-00840 2012 U.S. Dist. LEXIS 114614, at *2-3 (W.D. Wash. Aug. 14, 2012) (“The Court’s research shows that district courts are granting stays around half of the time”); see also Mercado, *supra* note 3, at 108; Erin Coe, *Patent Re-Exams Are Growing as Key Defense Tactic*, Law360, Oct. 23, 2008 (“If a district court judge decides to grant a stay [of the patent-holder’s enforcement litigation], a patent owner may be destroyed. Some re-exams could take five to 10 years to complete.”).

perceived abuses of the process,”⁵⁰ but this author is unaware of any organized attempt by the PTO to do so; though, given the rather “ominous nature of the disciplinary proceedings at the PTO,”⁵¹ this does not mean it has never happened.

Finally, Stoll suggested the PTO would try to “introduce new efficiencies into reexamination proceedings and eliminate costly delays caused by reexamination parties [*sic*],”⁵² but this goal, though laudable, does not do much to address misconduct. The PTO may do what it can to shorten the length of administrative challenges (thus reducing the patent life wasted by any one proceeding), but when persistent challengers can easily restart the process by instigating second or third reexaminations—a practice called “serial reexamination”⁵³—the problem remains. One does not rescue a sinking ship by bailing out water but by plugging the leaks.

B. Common Arguments Against the Prevalence of Misconduct in Administrative Validity Challenges

As stated initially, it is somewhat puzzling that so much has been said about fraud in the patent application process and so little about its manifestation in post-issuance proceedings, such as patent reexamination. It would be a mistake to conclude that it simply does not occur, and indeed the findings *infra* should rouse us from such wishful thinking. Yet what much of the patent bar has treated as an open secret, others have ignored, downplayed, or simply denied. I therefore turn to several familiar and flawed arguments that have been used to justify failures to address these issues.

1. “The legal standard for reexamination is so low that no reexamination proceeding could be without merit.”

This argument, a variation on “anything goes,” is often made by those who prefer to blame low statutory standards (or the permissive application thereof)⁵⁴ for leading to misconduct in

50. Stoll, *supra* note 47.

51. Edwin S. Flores & Sanford E. Warren, Jr., *Inequitable Conduct, Fraud and Your License to Practice Before the United States Patent and Trademark Office*, 8 Tex. Intell. Prop. L.J. 299, 315 (2000).

52. *Id.* Though Stoll tactfully referred to “parties,” presumably he did not mean anyone but third-party requesters; it is difficult to imagine patent holders themselves causing costly delays that waste the terms of their own patents.

53. See *infra* Section IV.C.

54. Cf. Mercado, *supra* note 3, at 127-28 (criticizing the PTO and the Federal Circuit for their loose interpretation of the SNQ standard and citing

reexamination, rather than blaming the perpetrators. Of course it is undeniable that the “substantial new question of patentability”⁵⁵ standard used in deciding whether to initiate reexamination has not served to weed out many requests. It has been applied so loosely as to have been called “almost no standard at all.”⁵⁶ Indeed, in spite of the fact that Congress emphatically *raised* the standard for invoking the new post-grant review and *inter partes* review procedures created by the AIA,⁵⁷ the PTO appears poised to continue its old practice of ordering the new proceedings in virtually every instance.⁵⁸ One prominent observer remarked that

testimony from the legislative history of the *ex parte* reexamination statutes indicating that Congress understood the SNQ standard to be more akin to a “credible case of invalidity” than the low standard which has long prevailed).

55. 35 U.S.C. § 303 (“the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request”).

56. Former Chief Judge Paul R. Michel, Lecture at the Fordham University School of Law Intellectual Property Law Institute: Innovation, Incentives, Competition, and Patent Law Reform: Should Congress Fix the Patent Office and Leave Litigation Management to the Courts? (Nov. 18, 2009).

57. 35 U.S.C. § 314(a) provides that “The Director may not authorize an *inter partes* review to be instituted unless the Director determines . . . that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 321(a) provides that “[t]he Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition . . . would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

58. The PTO does note that it considered “whether the threshold for instituting a review could be set as low as or lower than the threshold for *ex parte* reexamination,” concluding that “[t]his alternative could not be adopted.” *Changes to Implement Inter Partes Review Proceedings*, 77 Fed. Reg. 7041, 7054 (Feb. 10, 2012). Yet, surprisingly, the PTO estimates that only “10% of the petitions for review . . . would be dismissed,” i.e., 90% would be granted. *Id.*, at 7049. In the PTO’s view, the grant rate would be no different from the rate for *inter partes* reexam, which has been about 94%—in spite of the fact that, unlike *inter partes* reexam, “[p]atent owner preliminary responses [are] . . . newly authorized in 35 U.S.C. 313, as amended” and Congress has devised “enhanced thresholds for instituting reviews set forth in 35 U.S.C. 314(a), as amended, which would tend to increase the likelihood of dismissing a petition for review.” *Id.*; see also *Inter Partes Reexamination Filing Data*, USPTO, 2 (June 30, 2012), http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf (PTO’s statistics). One would have imagined that these two very substantial changes would have curtailed the PTO’s permissive tendency in initiating these proceedings sufficiently to cause a greater-than-4% difference, but not so. See Mercado, *supra* note 3, at 125, n.168 (speculating that public criticism of the PTO for granting too many invalid patents has created an “institutional bias” toward revisiting patent validity); see also Nina A. Mendelson, *Disclosing “Political” Oversight of Agency Decision Making*, 108 Mich. L. Rev. 1127 (2010)

“the Trojan horse is that [the statute] claims to create a high threshold” for review of a patent, but predicted “I think it’s going to turn out [to] be not so nearly high as some people think.”⁵⁹

Nevertheless, this does not mean that the “substantial new question of patentability” (“SNQ”) threshold is the *only* standard in reexamination. Arguably, the reexamination statutes also charge Third-Party Requesters with a duty of good faith, requiring them to “believe” the prior art they submit has a “bearing on the patentability of any claim of a particular patent.”⁶⁰ Moreover, the PTO itself maintains a general Rule 11-like regulation,⁶¹ mandating certain minimal standards of honesty and non-frivolity in all filings made before it; the rule, applicable to all papers filed before the Office, clearly governs Third-Party Requesters and their representatives in the reexamination context. The PTO’s virtual nonenforcement of the rule in reexamination may have made it akin to a ‘dead letter,’ but the standard of conduct remains.⁶²

2. “The PTO determines whether requests for reexamination meet threshold standards; therefore no proceedings instituted by the PTO could be without merit.”

Some members of the patent bar have, unaccountably, allowed themselves to be persuaded by the argument that a “theoretical malicious requestor” simply “*cannot* unilaterally sabotage a patent.”⁶³ This notion rests on a view of the reexamination process that makes most misconduct structurally impossible. In their

(discussing the impact of political pressures on agency action generally). One respondent was optimistic that “[t]he higher bar set by the *inter partes* review standard of ‘a reasonable likelihood that the petitioner would prevail as to at least one claim’ rectifies much of the problem with improperly established re-examinations [sic],” but, of course, it will not rectify much of the problem if that standard does not prove to be genuinely rigorous. Quoted Comment of Respondent.

59. Mark McCarty, *Patent Reform in Search of Respect*, Medical Device Perspectives Daily (Oct. 3, 2011, 9:46AM), <http://mdd.blogs.medicaldevicedaily.com/2011/10/03/patent-reform-in-search-of-respect> (quoting former Federal Circuit Court Chief Judge Paul R. Michel).

60. 35 U.S.C. § 301. For the first appearance of this argument, see Reply Brief of Appellants at 9-10, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP*, No. 2010-1189 (Fed. Cir. Jul. 1, 2010).

61. 37 C.F.R. § 11.18 (2009). See *infra* Section IV.B for further discussion.

62. See *infra* Section V (recommending that the courts take the lead in enforcing the PTO’s “Rule 11” standards).

63. Brief of O’Melveny & Myers LLP as Amicus Curiae Supporting Defendants-Appellees at 4, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP*, No. 2010-1189 (Fed. Cir. Jun. 22, 2010) (emphasis added).

defense, the argument does have a superficial appeal and was originally trumpeted by Commissioner Diamond, who claimed that although “[t]he possibility of harassing patent holders is a classic criticism of some foreign reexaminations,” “we made sure it would not happen here.”⁶⁴ Since the PTO reviews the request for reexamination for compliance with the “substantial new question of patentability” standard before ordering a reexamination proceeding, the logic runs, how can it be said that the requester is responsible for the proceeding? According to this view, once the PTO orders the proceeding, any deceptive conduct or frivolous argument on the part of the Third-Party Requester is absolved, transmuted as if by alchemy into legitimate advocacy. Hence, “[i]f the PTO decides to grant the request, the request was ipso facto not objectively baseless.”⁶⁵ At the same time, because the PTO orders the proceeding, the Third-Party Requester (ignoring complexities in the law of causation) dances away from all responsibility.

Contrary to all this, it has been pointed out, drawing on strong analogies in the malicious prosecution context, that this argument disregards the obvious fact that the PTO can be deceived.⁶⁶ If the PTO can be deceived into granting a patent—if “lapse on the part of the examiner does not exculpate an applicant whose acts are intentionally deceptive”⁶⁷—it is no stretch of reasoning to concede that the PTO can be deceived into ordering a reexamination where none was called for, nor is it any leap to maintain that the Third-Party Requester should not be excused for his role in this. Where a prosecutor is induced to prosecute on the basis of some misrepresentation or omission, we certainly cannot say that the prosecution was meritorious merely because the prosecutor believed there was probable cause. A baseless request for reexamination is baseless regardless of whether the PTO institutes

64. See *Industrial Innovation & Patent Copyright Law Amendments: Hearings on H.R. 6933, 6934, 3806 and 214 Before the Subcomm. on Courts, Civil Liberties and the Admin. of Justice of the H. Comm. on the Judiciary*, 96th Cong. 594 (1980) (statement of Sidney Diamond, Comm’r of Patents & Trademarks) (referring to the “substantial new question of patentability” threshold).

65. Brief of O’Melveny & Myers LLP as Amicus Curiae, *supra* note 63, at 16.

66. See *Mercado*, *supra* note 3, at 97.

67. *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 938 (Fed. Cir. 1990); see also *KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571 (Fed. Cir. 1985).

the proceeding, and indeed the PTO has admitted to ordering reexaminations that proved unwarranted.⁶⁸

What might be said is that the exercise of the prosecutor's independent judgment (here, the PTO's) may break the chain of causation between the Third-Party Requester's actions and the patent owner's injury. Where exercising independent judgment—we have not stipulated whether the judgment is good or bad—the PTO may be said to be the proximate cause of the reexamination and hence to blame for any harm arising therefrom. For this reason, “[s]ome sort of allegation, then, is needed . . . to bridge the gap between”⁶⁹ the Requester and the PTO in such a way that the Requester can be said to proximately cause the reexamination proceeding. Generally, where a prosecutor undertakes to file a complaint on the basis of “material omissions” or “false information”⁷⁰ given to him, causation shifts from the prosecutor to the supplier of false evidence, and so too should it be in administrative challenges to patents. Indeed, the Supreme Court has noted that, in “bridging the causal gap,” “evidence that a prosecutor was nothing but a rubber stamp” for those inducing the prosecution “would be of great significance in . . . closing the gap.”⁷¹ The PTO has certainly been perceived as just such a rubber stamp for Third-Party Requesters, granting upwards of 92% and 94% of *ex parte* and *inter partes* requests respectively.⁷² As one scholar has observed, “[e]xaminers still routinely rubber-stamp requests for reexamination and are authorized merely to parrot back the requester's language as support for the proposition that a substantial new question of patentability exists.”⁷³ Practitioners specializing in reexamination know well that the PTO “typically adopts most if not all of the proposed rejections” and that “it is not unusual for first Office actions [from the PTO] to simply

68. See 71 Fed. Reg., *supra* note 45 (proposing to permit the patent owner input in order to “reduc[e] improper/unnecessary orders” initiating reexamination and for “enabl[ing] the Office to be better able to weed out those requests that do not raise a substantial question of patentability, prior to instituting a full-blown proceeding.”).

69. *Hartman v. Moore*, 547 U.S. 250, 264 (2006).

70. *Borunda v. Richmond*, 885 F.2d 1384, 1390 (9th Cir. 1988).

71. *Hartman*, 547 U.S. at 264.

72. See *Ex Parte* Reexamination Filing Data, USPTO, 2 (June 30, 2012), http://www.uspto.gov/patents/stats/EP_quarterly_report_June_30_2012.pdf; see also *Inter Partes* Reexamination Filing Data, USPTO, 2 (June 30, 2012) http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf (PTO's statistics).

73. See Janis, *supra* note 6, at 48.

incorporate by reference each and every proposed rejection in [a] reexamination request.”⁷⁴

Hence, this argument rightly takes note of the fact that reexamination is so structured as to afford the PTO a preliminary role—much the same as the prosecutor’s in reviewing evidence and determining whether probable cause exists to file a criminal complaint—but errs in ignoring the requester’s role in supplying the evidence.

3. “There are few extant cases involving fraud in reexamination; therefore the phenomenon is too rare to be concerned about.”

This is the argument advanced by AIPLA President David Hill.⁷⁵ Several reasons, perhaps none singly, account for the dearth of reported cases. First, there has never been a recognized cause of action for the economic damage caused by reexamination misconduct. The original reexamination statutes do not provide patent owners such a right of action.⁷⁶ As a result, there has never been a strong economic incentive to report such misconduct; where there was such an incentive—in the inequitable conduct defense to claims of patent infringement, which protected defendants from economic liability—patent owners were accused of misconduct at every turn.⁷⁷ It might be surmised that the absence of official reports simply compounded over the years; it is certainly no encouragement to the potential litigant (or to plaintiffs’ lawyers) to see that his case is the first of its kind.⁷⁸

74. Brief of Sovereign Software, LLC and Tessera, Inc. as Amici Curiae, *supra* note 28, at 7. Robert Greene Sterne, a noted practitioner with deep expertise in reexamination, authored this brief on behalf of amici.

75. See Hill, *supra* note 1.

76. It should not be forgotten that the original reexamination laws, An Act to Amend the Patent and Trademark Laws, Pub. L. No. 96-517, 94 Stat. 3015 (1980) (codified at Patents and Protection of Patent Rights, 35 U.S.C. §§ 301-307 (2012)), were passed in the lame-duck session (Dec. 12, 1980) and were probably not an easy political feat to enact. I know of no evidence that providing a private right of action to patent owners was ever considered, but there was surely some “legislative inertia” at play in getting reexamination passed in spite of its shortcomings.

77. See *supra* note 2 and accompanying text.

78. There is in fact only one known case in which a court found a Third-Party Requester to have engaged in deceptive conduct in a reexamination, but these passages are buried within a long decision in an otherwise unremarkable patent infringement case, and they apparently went unnoticed for 16 years. See *Total Containment, Inc. v. Environ Prods., Inc.*, 921 F. Supp. 1355, 1375-78 (E.D. Pa. 1995); see also Mercado *supra* note 3, at 96 n.22.

While there have been two attempts to seek compensation for reexamination misconduct under state law,⁷⁹ the awkwardness of policing federal agency proceedings through state law was highlighted in the most recent such case, where state claims were held impliedly preempted by federal law.⁸⁰ Patent practitioners do not turn naturally to state law to remedy the harms befalling their clients,⁸¹ for patent law is a curiously insular area of doctrine, and rarely does it intersect with tort law.⁸² The typical patent practitioner would undoubtedly have seen disciplinary action by the PTO as his sole recourse, and would have come to understand what a hollow recourse it was, given the PTO's repeated disavowals of intent and ability to police fraud before it,⁸³ as well

79. See *Ball Corp. v. Xidex Corp.*, 967 F.2d 1440, 1443 (10th Cir. 1992); *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP*, No. 09-CV-5157, slip op. (C.D. Cal. Nov. 24, 2009), *aff'd*, 403 Fed. App'x. 508, (Fed. Cir. 2010), *reh'g and reh'g en banc denied* (Fed. Cir. 2011), *cert. denied*, 132 S. Ct. 97 (2011).

80. See *Lockwood*. Elsewhere I have argued that this apparent awkwardness should not have led to a finding of preemption. See Mercado, *supra* note 3, at 145-52. To begin with, no one finds it untoward to hold plaintiffs liable for malicious prosecution for bringing baseless lawsuits in federal courts, though this effectively means that state law has a role in "policing" the federal system. See, e.g., *Tarkowski v. Cnty. of Lake*, 775 F.2d 173, 175 (7th Cir. 1985) ("State tort law of malicious prosecution may reach malicious federal litigation."). Nor has Rule 11 been held to preempt state law "torts providing relief for misconduct in federal litigation." *U.S. Express Lines Ltd. v. Higgins*, 281 F.3d 383, 393 (3d Cir. 2002). Prima facie, there should be little worry when the forum to be policed is not a federal court but a federal agency, even when the agency maintains its own version of Rule 11 among its regulations.

81. State law claims have been brought so rarely in patent-related matters that even malpractice claims were "virtually unknown" until the mid-1990's. See A. Samuel Oddi, *Patent Attorney Malpractice: An Oxymoron No More*, 2004 U. Ill. J. Tech. & Pol'y 1, 1 (2004) ("Until the last decade or so, malpractice suits were virtually unknown.").

82. One series of cases represent a small exception. See *Abbott Labs. v. Brennan*, 952 F.2d 1346 (Fed. Cir. 1998); *Hunter Douglas, Inc., v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998), overruled in part on separate grounds in *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999); *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470 (Fed. Cir. 1998).

83. See Mercado, *supra* note 3, at 147-48, n.319-24 and accompanying text (collecting statements made by the PTO and others throughout 1986 - 2011 indicating that the Office does not investigate fraud and believes itself ill-equipped to do so); *but see* Kappos Letter, *supra* note 43 (noting that the PTO "has the power to police misconduct through its Office of Enrollment and Discipline (OED). Anyone with knowledge of unethical conduct can report it to OED for investigation."). As Judge Plager has observed, there is an problematic disjunction between the PTO's inherent power to police itself, and its apparent disinclination to do so with much vigor. See Oral Argument, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP* at 07:28 ("Are you saying the PTO

as its incapacity to make the patent owner whole.⁸⁴ In the case of serial reexaminations, there is a provision for vacatur where harassment can be shown, but that provision has been described as “toothless,” and the author is unaware of a petition for vacatur ever having been granted.⁸⁵ Nor are prosecutions under the general federal fraud statute a realistic mechanism for addressing misconduct, as Judge Prost recently postulated they might be.⁸⁶ One scholar has observed that “[t]he Department of Justice has shown even less interest in assuming the enforcement function than the PTO has. The last reported case involving a[n] 18 U.S.C. §] 1001 prosecution for dishonesty to the PTO occurred in 1976, and the one before that appears to be from 1934.”⁸⁷

On the flipside, one commentator has discerned little economic incentive to the third-party requester for instigating frivolous or abusive patent opposition proceedings, since these aim at

doesn't want to do what the statute requires it to do? . . . Maybe the PTO doesn't think it ought to do what the statute compels it to do, which is to discipline people.” (Plager, J.), available at <http://oralarguments.cafc.uscourts.gov/Audiomp3/2010-1189.mp3>. However the PTO's reluctance has clearly been based on its (largely correct) self-perception as a less-than-perfect forum for delving into issues of fraud and intent to deceive. See, e.g., USPTO, 1095 Off. Gaz. Pat. & Trademark Office 12, 16 (1988).

84. That incapacity has been somewhat ameliorated by a rule promulgated by the PTO under the AIA, which has provided that the PTO may prescribe sanctions for abuse of discovery during the new post-grant and *inter partes* review procedures. See 35 U.S.C. §§ 316(a), 326(a)(6). Thus newly promulgated 37 C.F.R. § 42.12(b)(6) provides for “compensatory expenses, including attorney fees,” which certainly can compensate patent owners for direct costs incurred in prosecuting proceedings before the PTO, but can do nothing at all to restore wasted patent life or provide consequential damages, e.g., lost licensing revenue.

85. See W. Todd Baker, *Preventing Harassment in Patent Reexamination: MPEP 2240's Smoking Gun Requirement*, Patents Post-Grant (Apr. 7, 2010), <http://www.patentpostgrant.com/lang/en/2010/04/preventing-harassment-in-reexamination-is-mpep-%C2%A7-2240-toothless-absent-the-proverbial-smoking-gun> (“With the emerging use of reexamination as a litigation strategy, it is difficult to imagine that *ex parte* reexamination has not been misused to harass patent owners.”).

86. See Digital Recording of Oral Arguments, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP* (“So we've got a US attorney, whatever, I mean they don't prosecute criminal (inaudible) certainly, but if they ascertain that, doesn't that suggest that they will report you to the US attorney and it will be taken care of with respect, under government proceedings?”) (Prost, J.), available at <http://oralarguments.cafc.uscourts.gov/Audiomp3/2010-1189.mp3>.

87. TJ Chiang, *The Upside Down Inequitable Conduct Defense*, 53 Geo. Mason L. & Econ. Res. Paper Series, 58 (2011) (citing *United States v. Markham*, 537 F.2d 187 (5th Cir. 1976)).

invalidating the patent rather than generating nuisance-value settlements. Hence, because “there is no . . . money that tends to change hands,” “there is little chance for abusive opposition filings” and “in our re-examination system we really have not seen any accusations of this happening and no examples of that happening.”⁸⁸ Rather, “what we have seen is *within* the process.”⁸⁹ While it was true of reexamination that no direct economic gain was to be reaped thereby, the new post-grant and *inter partes* review procedures can be *settled* by the parties.⁹⁰ Hence, there is now some risk that these proceedings will be instituted to extract settlements from patent holders as happens in other litigation, although the risk of this is somewhat diminished both by the filing fees⁹¹ associated therewith and by the threshold showings that patent challengers must make.⁹² But beyond this, we must not overlook the indirect economic gains underlying abusive behavior. Patent challengers may use these proceedings to obtain more favorable licensing terms,⁹³ stay litigation indefinitely, defeat a patentee’s motion for preliminary injunction, force a settlement for less than a patent’s true value, cast doubt on an unfavorable a district court judgment, or drive away venture capital investment from emerging competitors.

88. See *Review of Recent Judicial Decisions On Patent Law*, *supra* note 31 (statement of Prof. Dennis Crouch). But see Crouch, *supra* note 15 (commenting on the *Lockwood* case, which involved allegations of abusive filings, and explicitly referring to “bad behaviour [*sic*] in the filing of reexamination requests” as well as to “sham requests.”). The latter comments were made about five months prior to Prof. Crouch’s statements before the House Subcommittee.

89. *Id.* (emphasis added).

90. See 35 U.S.C. §§ 317, 327. Reexamination proceedings, once begun, cannot be “settled” and do not generally terminate until resolved on the merits.

91. Current fees are roughly \$23,000 and \$30,000 for successful petitions for *inter partes* and post-grant review, respectively; a challenger is only charged the full fee if his petition successfully persuaded the PTO to institute the proceeding. See *Setting and Adjusting Patent Fees*, 78 Fed. Reg. 4212, 4224-25 (Jan. 18, 2013).

92. These threshold standards have been raised from the “substantial new question of patentability” standard in reexamination, but there is significant skepticism as to whether these will be meaningfully applied by the PTO. See *supra* note 58.

93. See *1 Patent Office Litigation* § 1:50 (“Since the possibility of termination after settlement exists under [*inter partes* review, covered business method, and post-grant review proceedings], the potential licensee may file one or more of these proceedings before engaging with the patent owner to create additional leverage in the licensing discussions. Or the potential licensee may want to threaten such actions in the licensing discussions.”).

III. SURVEY DESIGN AND METHODS

A. Survey

Between July and September of 2012, a survey⁹⁴ was sent to 744 patent practitioners and in-house counsel involved in *ex parte* and *inter partes* reexamination proceedings, which concluded between August 2011 and August 2012.

It was surmised that practitioners involved in reexamination on behalf of the patent owner, those “in the trenches” and on the “front lines” of reexamination, would be best poised to report on the nature and extent of misconduct by Third-Party Requesters. Practitioners were identified using the PTO’s Official Gazette for Patents,⁹⁵ which publishes a notice whenever a patent emerges from reexamination. The file history of each reexamination was then located using “PAIR”⁹⁶ and the practitioner who prosecuted the reexamination on the patent owner’s behalf was identified. For example, the relevant practitioner would be the one who submitted and signed the patent owner’s responses to PTO office actions during the reexamination. The choice of period during which the sample was taken derives from the fact that the resource by which practitioners were identified, the Gazette, was available only for the most recent 52 weeks.⁹⁷ However, it also ensures that the results are as current as possible, since only practitioners who have been active very recently were surveyed. Anecdotal evidence indicates that reexamination was subject to greater degrees of dysfunction in earlier periods of its history⁹⁸—e.g., prior to the

94. See *infra* Appendix A.

95. The Official Gazette for Patents is published weekly by the PTO, which maintains the most recent 52 weeks on its website, available at http://www.uspto.gov/news/og/patent_og/index.jsp.

96. “PAIR” refers to the PTO’s “Patent Application Information Retrieval” system, available at <http://portal.uspto.gov/external/portal/pair>.

97. As this study was being completed, the PTO together with Google made available back issues of the Gazette through 2002, available at <http://www.google.com/googlebooks/uspto-patents-gazette.html>.

98. See, e.g., Mercado, *supra* note 3, at 111, n.97, 127, n.187 (quoting former PTO Solicitor John Whealan as saying, in 2006, that “the reexamination system . . . did not work well” and on another occasion asking his audience, “Are you scared to file reexam? Yeah, you should have been. We weren’t doing as good a job as we should’ve been.”); Sterne, *supra* note 93, § 2:3 at 76 (“reexamination was clearly not fulfilling its role of providing a fast and cheap venue for post-issuance proceedings” prior to the creation of the CRU in 2005). Criticism of PTO’s administration continues, however. See *In re Avid Identification Sys.*, 2013 U.S. App. LEXIS 438 at *24 (Fed. Cir. 2013) (Clevenger, J., dissenting) (accusing the PTO of acting “arbitrarily . . . regularly,

creation in 2005 of a Central Reexamination Unit (“CRU”)⁹⁹ at the PTO. The decision to survey practitioners involved in the most recently completed reexaminations prevents us from getting an unduly bleak picture of what has been transpiring. However, it must be noted that although practitioners were identified from recent proceedings, the survey questions were directed at the *entirety* of their experience, not at particular proceedings; thus, it is possible that some respondents were reporting instances of fraud or misconduct from several years ago.

Wherever possible and appropriate—for example, if the patent owner was a company of sufficient size to maintain an intellectual property division or to employ chief patent counsel—surveys were also sent to in-house counsel. If the patent owner’s in-house as well as his outside counsel each separately responded to the survey and reported misconduct with the same reexamination in mind, this might have led to some double counting, but (partly owing to the fact that relatively few in-house counsel responded) this did not happen. In several cases, the attorney prosecuting the reexamination before the PTO was the patent owner’s in-house counsel (usually one among a large intellectual property department), although this was uncommon.

The survey posed a maximum of 16 questions, some of which were only appropriately triggered by certain answers to preceding questions.¹⁰⁰ For example, if a respondent answered “no” when asked whether he was aware of a reexamination wherein the Third-

much to the detriment of the public, when confronting § 112, ¶ 6 claims” in reexamination, stating that “[r]andom is the polite word for the Board’s erratic behavior.”).

99. See Press Release, USPTO, USPTO Improves Process for Reviewing Patents (July 29, 2005), *available at* <http://www.uspto.gov/news/pr/2005/05-38.jsp>. The CRU dedicated reexaminations to the more senior examiners at the PTO, those with the widest experience in reexam. It is not known just how senior these examiners must be, but one recent presentation suggests that they must have reached GS-15 and have “several years of primary examiner experience.” See Remy Yucel, *Central Reexamination Unit and the AIA*, 2 (Feb. 21, 2012), *available at* http://www.uspto.gov/aia_implementation/20120221-road-show-ds-cru.pdf. There is some evidence that the CRU has succeeded in reducing overall reexamination pendency somewhat, but current average pendency of 2-3 years is still unacceptably long. See USPTO, *Reexamination Operational Statistics*, 2012 (reporting for quarter 3 of 2012 the average time-to-certificate for *ex parte* and *inter partes* reexams as 21.2 months and 37.4 months respectively), *available at* http://www.uspto.gov/patents/stats/Reexamination_operational_statistic_F_12_Q3.pdf.

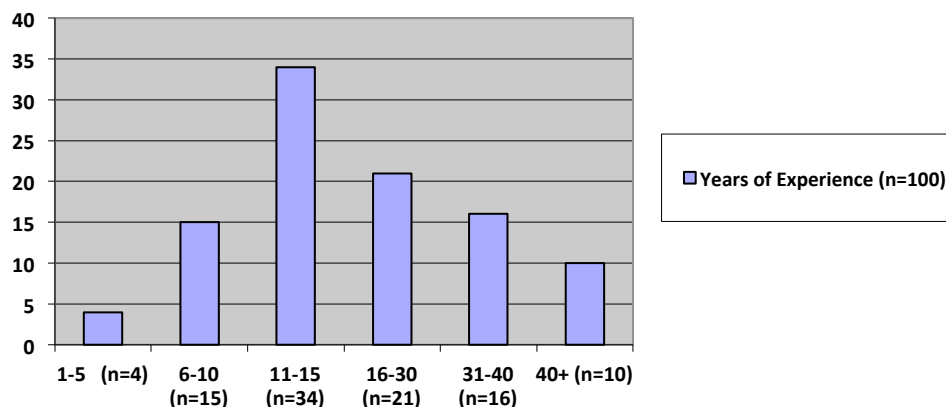
100. The survey was designed using Qualtrics survey software.

Party Requester made a misrepresentation, he was not presented with a question about the nature of such a misrepresentation. Similarly, if a respondent answered “no” when asked whether he was aware of a serial reexamination, he was not then asked whether, in his judgment, such a reexamination was filed in order to delay resolution of the original reexamination. Thus, while all respondents took the same survey, respondents were only presented with more detailed questions when their answers indicated these were apposite.

B. Participants

Of a total of 744 survey recipients, 13.7% (102) responded. As shown in Figure 1, the respondents were highly experienced in general practice before the PTO, with 81% having more than 10 years of such experience.¹⁰¹ This is likely representative of overall reexamination practice, which tends to involve more seasoned practitioners than those filing patent applications. Often the practitioner responsible for prosecuting a patent application through issuance will be the same one to defend a patent reexamination proceeding on behalf of the patent owner. Hence, it is quite natural to see additional experience in practitioners handling reexaminations.

FIGURE 1. Respondents’ Experience Before the PTO (n = 100)

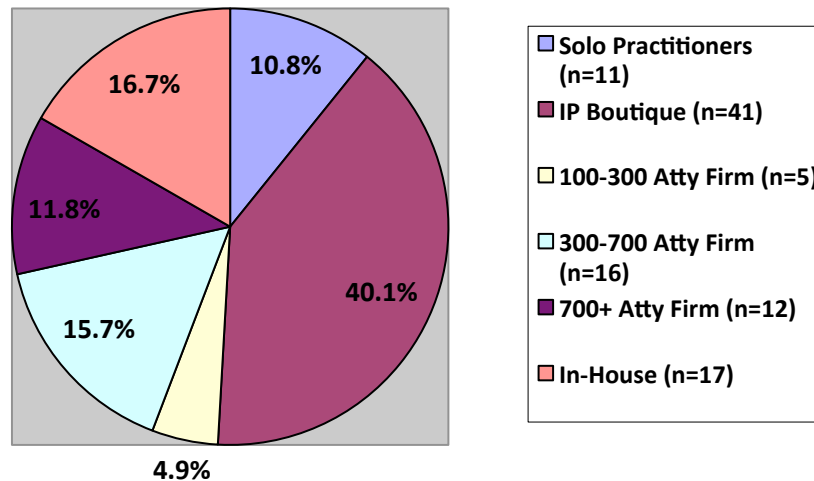


¹⁰¹ Two respondents, both in-house counsel, were not registered to practice before the PTO though they clearly had a strong acquaintance with reexamination, resulting in an “n” of 100 here. For the rest, their experience was computed using the date of their registration to practice, which was determined by searching records kept by the PTO’s Office of Enrollment and Discipline (“OED”), available at <https://oedci.uspto.gov/OEDCI/query.jsp>. Where the respondent was registered both as an “agent” and as an “attorney,” the earlier date of registration was used.

In Figure 2, most respondents (83.3%) were outside counsel for the patent owner, and about half of those were employed by small-to-medium sized IP boutique firms. 16.7% were in-house counsel for the patent owner, though the response rate for this group (8.9%, or 17 responses from 190 recipients) was much lower than for outside counsel (15.3%, or 85 responses from 554 recipients). The lower response rate for in-house counsel may indicate their relative disengagement with the details of reexamination, or their greater reluctance to report fraud. However, some of the most trenchant remarks came from in-house counsel.¹⁰²

The overall response rate is 13.7% (102 responses from 744 recipients).

FIGURE 2. Respondents' Practice Type (n = 102)



C. Error

It must be acknowledged that the present study, like others based on survey data, may suffer from various forms of error, including coverage, nonresponse, measurement, and sampling errors. However, this possibility, in the opinion of this researcher, does not seriously impugn its results.

For instance, the likelihood of measurement error due to poorly worded questions seems fairly low; the respondents were all lawyers thoroughly conversant with the reexamination process and, if the opinion of participants is any sign as to the quality of the questionnaire, it is well to quote the remark the respondent who

102. See, e.g., *infra* note 93 and accompanying text.

stated: “I think you provided good questions. It is helpful to me to see legal articles based on real-life experience.”¹⁰³ No one voiced any confusion or contrary assessment. There was an instance in which some respondents grouped their answers under “Other” when several more specific answer choices were unavailable, but their comments alert us to this fact and permit us to infer, at least to some extent, how they would have answered had more choices been provided.¹⁰⁴

Coverage error does not seem to be a serious possibility, either; there were several sole practitioners identified as possible survey recipients who could not be contacted, but these were few and their non-participation does not appear likely to bias the results. It is possible that reexaminations involving patent owners who were individual inventors and small businesses—those most likely to employ sole practitioners to handle the reexaminations—were slightly underrepresented, but there is no reason to think that fraud and misconduct are any more prevalent in that subset of reexaminations than in general.

Nonresponse error may bias the results slightly, but it is hypothesized that such a bias would lead, if anywhere, toward more conservative results. This is because it seems likelier that deliberate nonresponse arises from reluctance to disclose sensitive information than from mere unawareness of misconduct.

Sampling error is perhaps the most likely reason for any difference between these results and the true extent of fraud and misconduct, but even this is fairly modest. Assuming our manner of selection is sufficiently “random,” the margin of error for a sample of this study’s size is +/- 8.45 percentage points at 95 percent confidence; hence, if this study were repeated, the results could be expected to fall within the margin of error 95% of the time, or 19 times out of 20.

IV. RESULTS AND DISCUSSION

A. The Extent of Fraud and Misconduct in Reexamination

The key finding of this study is that 25.5% of respondents (26 of 102) reported having experienced some type of fraud or

103. Quoted Comment from Respondent.

104. See *infra* Section IV.B (noting that some respondents reporting misconduct in the *inter partes* reexam context selected “Other” when, *inter alia*, “withheld material information” was unavailable as an answer choice).

misconduct from the Third-Party Requester, either in the request for reexamination or during the merits of the proceeding.

As can be seen in Figure 3, 19.6% (20 of 102) responded to Question 1 by reporting misconduct in the request, while Figure 4 shows that 11.8% (12 of 102) responded to Question 9 by reporting it during the merits of the proceeding.

To avoid confusion, it must be noted that six respondents (6) reported misconduct at *both* stages. Counting each report only once, the number of practitioners aware of such misbehavior overall is 25.5%. That number is arrived at by combining affirmative responses to Questions 1 and 9 (Figures 3 and 4), while refraining from double-counting. At 95% confidence, therefore, we can say that 25.5% of practitioner-respondents have experienced fraud or misconduct from Third-Party Requesters in reexamination. With a margin of error of +/- 8.45%, we can be reasonably confident that the “true” number of practitioners with experience of these phenomena lies within the range of approximately 17-34%.

FIGURE 3. Question 1: *Are you aware of a reexamination wherein the Third-Party Requester made false statements, misrepresentations, or omissions which may have influenced the PTO's decision to grant the request and institute the reexamination proceeding?*

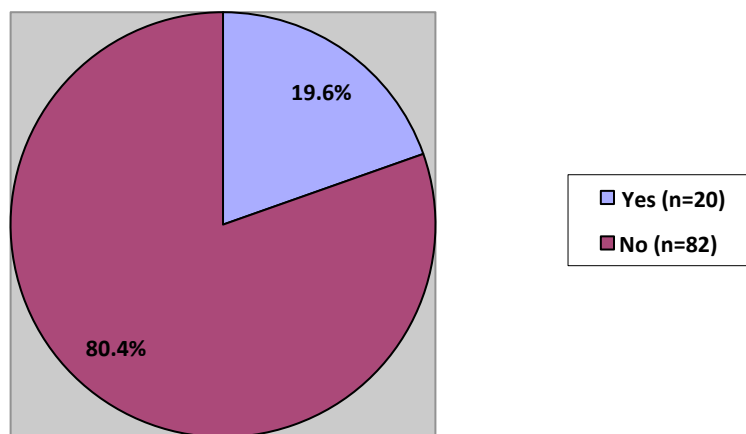
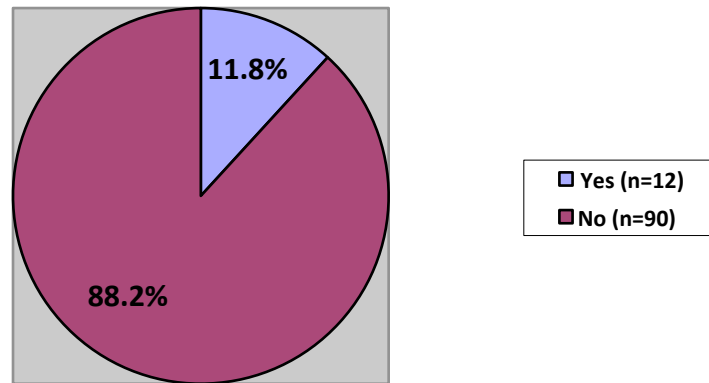


FIGURE 4. Question 9: *Are you aware of an Inter Partes reexamination proceeding wherein the Third-Party Requester made false statements, misrepresentations, or omissions in its Third-Party Comments?*



25.5% is a very substantial proportion, which must nevertheless be assessed with some delicacy. We must take care *not* to infer that 25.5% of all reexamination proceedings therefore involve fraud. Respondents were not asked how many such proceedings, in their experience, involved such misconduct. Moreover, posing such a question and then adding the answers together would not have given a very reliable indicator of the extent of misconduct, since both the careers across which practitioners would be reporting and the frequency with which they handle reexaminations vary considerably (some practitioners may handle only one or two over the course of their career, while a handful will specialize in post-grant practice). Thus, a “Yes” to Question 9 would rarely mean more from the practitioner handling reexaminations than from a seasoned reexamination specialist. This survey of practitioner opinion is, admittedly, an imperfect indicator of the extent of misconduct. And yet, while we must not confuse the meaning of the 25.5% number, the fact that reexamination forms such a small fraction of PTO practice (compared to, for example, the patent application process) but 25.5% of respondents reported experience of fraud or misconduct, does suggest that the actual level of misconduct by Third-Party Requesters has been substantial. Interestingly, this is very much in line with measures of misconduct in comparable areas. For example, in one survey of counsel regarding Rule 11 activity, 24.3% of respondents reported involvement in a case wherein Rule 11 violations were formally alleged, with 7.6% reporting sanctions actually imposed.¹⁰⁵ In a recent survey of financial services

105. See Lawrence C. Marshall et al., *Public Policy: The Use and Impact of Rule 11*, 86 Nw. U. L. Rev. 943, 952 (1992). The study by Marshall et al. was conducted during a period of some controversy as to the reach of Rule 11, following amendments in 1983 which rendered the rule more robust, but prior

professionals, “26% of respondents indicated that they had observed or had firsthand knowledge of wrongdoing in the workplace.”¹⁰⁶

B. The Nature of Fraud and Misconduct in Reexamination

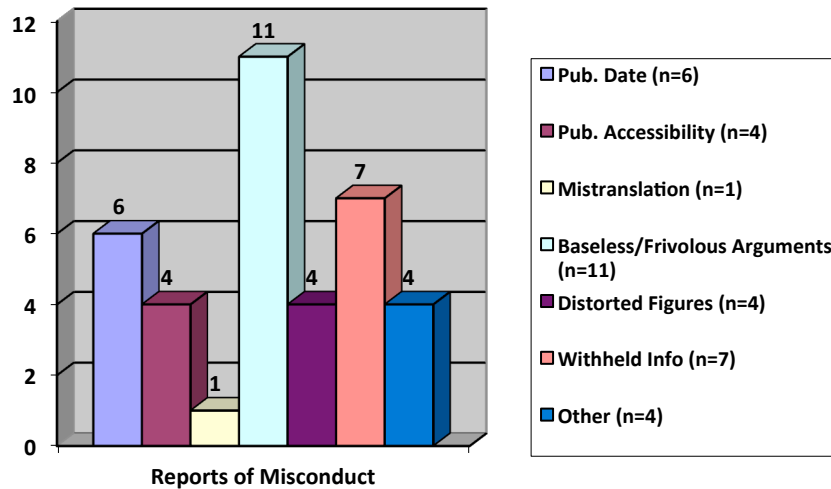
Respondents answering affirmatively to Questions 1 or 9 were then asked about the nature of the Third-Party Requester’s misconduct. Question 2, responses to which are presented in Figure 5, asked respondents to elaborate about misconduct occurring at the request stage of reexamination.

FIGURE 5. Question 2: *The false statements, misrepresentations, or omissions included the following: (Please check all that apply, and feel free to elaborate at the end of this survey.)*

1. *Publication Date of Reference(s) Misstated or Not Established*
2. *Reference(s) Failed to Meet Standard of Public Accessibility*
3. *Foreign Reference(s) Mistranslated*
4. *Baseless/Frivolous Arguments for Applying Prior Art to the Patent’s Claims*
5. *Figures Redrawn from Prior Art in a Distorted Manner*
6. *Withheld Material Information from PTO*
7. *Other*

to the 1993 amendments which softened it various ways. See generally Lonnie T. Brown, Jr., *Ending Illegitimate Advocacy: Reinvigorating Rule 11 Through Enhancement of the Ethical Duty to Report*, 62 Ohio St. L.J. 1555, 1562-76 (2001). One could therefore view Marshall et al.’s results as the relic of a time when Rule 11 was at its apogee, and indeed one more recent study indicates a substantial drop in the frequency with which breaches of Rule 11 are alleged. See Charles Yablon, *Hindsight, Regret, and Safe Harbors in Rule 11 Litigation*, 37 Loy. L.A. L. Rev. 599, 615 (2004) (finding the number of Rule 11 sanctions motions to have dropped by roughly half since the time of the Marshall et al. study). But if all this is true, then for our purposes it suggests that the level of misconduct discerned by reexamination practitioners has been unusually high, certainly higher than in the courts. The PTO’s version of Rule 11 is modeled on the 1993 amendments to the federal rule, and therefore the standards of conduct formed in the minds of patent practitioners should be roughly equivalent to their counterparts litigating in the courts. Yet the level of misconduct reported in reexamination may be much higher.

106. See Labaton Sucharow, *Corporate Integrity at a Crossroads* (July 2012), available at <http://www.labaton.com/en/about/press/upload/US-UK-Financial-Services-Industry-Survey-July-2012-Report.pdf>.



Note that, since respondents could select more than one type of misconduct (and most did), the total number of reports exceeds the number of respondents who answered “Yes” to Question 1.

While the most frequently reported form of misconduct was that the Third-Party Requester made “baseless or frivolous arguments applying the prior art to the patent’s claims,” it must be noted that other respondents—those who were not aware of *any* sort of misconduct—quite properly cautioned that this category not be defined too broadly, lest it narrow practitioners’ latitude for zealous argument.¹⁰⁷ For example, one respondent commented that “[i]n any contested proceeding, each side will tailor its arguments to put them into the best possible light. I do not consider that gamesmanship, and it is not fraud to do so.”¹⁰⁸ This is of course true, but it is also the case that the PTO has long maintained (though rarely enforced) a regulation¹⁰⁹ modeled on Rule 11,¹¹⁰ which requires any party presenting a paper to the Office to certify that “[a]ll statements made therein of the party’s own knowledge are true,” that the “legal contentions therein are warranted by existing law or by a nonfrivolous argument” for the

107. These respondents ultimately answered “No” to Questions 1 and 10, but had probably looked ahead in the survey (as was possible to do) and noticed that one category of possible misconduct was “baseless or frivolous arguments.”

108. Quoted Comment from Respondent.

109. 37 C.F.R. § 11.18 (2009).

110. See 73 Fed. Reg. 47650, 47671 (Aug. 14, 2008) (noting language “taken from Rule 11 of the Federal Rules of Civil Procedure” and incorporated into the regulation).

law's modification, and that "the allegations and other factual contentions [made therein] have evidentiary support."¹¹¹ These are clearly bounds beyond which even zealous arguments may not stray. The frequency with which respondents complained of frivolous arguments is perhaps not surprising when considered alongside a study of Rule 11, which found "frivolous suit[s]/claim[s]/case[s]

and frivolous "pleading[s]/motion[s]/response[s]" to be the two most often sanctioned forms of misconduct.¹¹²

Other respondents acknowledged the prevalence of baseless or frivolous arguments in reexamination. One, in-house counsel for a Dow Jones 30 company, put it this way:

There is no such thing as a legal proceeding lacking in gamesmanship. Sad to say, but that [is] the nature of the profession[] except when the 'gamesmanship is undertaken in support of a given party's position because in that party's eyes, it is not 'gamesmanship' but creative legal tactics. Suspecting 'fraud' and proving 'fraud' are two different issues. Sometimes the arguments advanced in a re-exam are so bad, that it is difficult to know if it is the last act of a desperate man, work undertaken by an attorney at the behest of an ill[-]informed client or simply work that does no more than generate billable hours.¹¹³

The same respondent was, however, fairly optimistic that the truly baseless arguments are, eventually, discovered and effectively rebutted, remarking that "[g]enerally, dubious arguments and representations in the application of prior art are disposed of by affidavits and legal/technical arguments."¹¹⁴

Most respondents who commented on this issue agreed about its prevalence. "It is common for 3PRs [third party requesters] (and POs [patent owners]) to mischaracterize the prior art and the claims at issue," one said.¹¹⁵ "This generally does not rise to the level of fraud and might be considered a normal part of 'spinning' the facts to create a persuasive brief for review by the USPTO, though a 3PR/PO is technically required to consider the entire disclosure of a reference and apply the broadest reasonable

111. 37 C.F.R. § 11.18.

112. See Marshall et al., *supra* note 105, at 953-54.

113. Quoted Comment from Respondent.

114. *Id.*

115. *Id.*

interpretation (given the pre-existing prosecution history of the patent and any prior litigation) to the claims.”¹¹⁶ Another remarked that “[i]n my opinion and experience the third party requester ‘misbehaviour’ [*sic*] is limited to puffing or overstatement of the relevance of references or attempting to sneak new rejections into the record at an improper time.” Regarding the PTO’s response when frivolous arguments are brought to its attention once it has ordered reexamination, one respondent noted that “generally, examiners are unwilling to admit that they are fooled so the typical response is that the representation was an interpretation rather than a factual statement.”¹¹⁷

One respondent deplored a double-standard in the manner in which requesters’ arguments are assessed, observing that some requesters “rely on [the doctrine of inherency¹¹⁸] because the relevant distinguishing limitations are not disclosed in prior art” and “to support this, the Requester engages in all manner of speculation and guess work,” complaining that “when I try to argue [on behalf of the patent owner] what is not disclosed in the references, I am accused of making things up and engaging in speculation.”¹¹⁹

Others suggested that requesters simply proffered an unreasonable multitude of arguments. “The requesters often use the unlimited page limit in the Request to [cause] an impracticable number of rejections/unadopted rejections to be present in the re-exam which prevents the focusing of issues, is problematic to address in the page limits imposed by the Office, etc.”¹²⁰ As another put it, “[t]he requester’s strategy seemed to be to inundate the examiner with so many rejections and combinations of prior art that the examiner would never have time to adequately respond to each and every point.”¹²¹ This comports with the

116. *Id.*

117. *Id.*

118. See, e.g., *Rosco, Inc. v. Mirror Lite Co.*, 304 F.3d 1373, 1380 (Fed. Cir. 2002) (“Under the doctrine of inherency, if an element is not expressly disclosed in a prior art reference, the reference will still be deemed to anticipate a subsequent claim if the missing element ‘is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill.’”) (citation omitted).

119. Quoted Comment from Respondent.

120. Quoted Comment from Respondent. Unlike requests for *inter partes* reexamination, the PTO has limited petitions for *inter partes* review and post-grant review to 60 and 80 pages respectively. See 37 C.F.R. § 42.24(a)(1)(i-ii) (2012).

121. Quoted Comment from Respondent.

experience of certain veteran reexamination practitioners, who have noted that the PTO will sometimes order the requester to correct putative oversights in its Request merely as a strategy to gain more time than permitted by statute¹²² to make a decision on the Request:

From experience I can tell you that most of the time when examiners issue one of these actions that give the requester an opportunity to correct [the request], quite often it's done just as a tactic because the examiner is overworked, is not able to make a proper decision, and yet he or she has no option of waiting more than three months. By statute they must make the decision within three months. So one of the ways to handle it is to find some imperfection in the request, say 'ah, you didn't do this, that or the other thing, I'll give you an opportunity to correct, once you correct it, that gives you a new filing date.' Now the examiner has three months all over again in which to make a decision, so just a tactic again to buy time.¹²³

The PTO has certainly registered concerns to this effect, noting that “[t]he Office has experience with large requests in *inter partes* reexamination in which the merits of the proceedings could have been resolved in a shorter request.”¹²⁴ As the Office explained, “[t]he *inter partes* reexamination requests from October 1, 2010, to June 30, 2011, averaged 246 pages. Based on the experience of processing *inter partes* reexamination requests, the Office finds that the very large size of the requests has created a burden on the Office that hinders the efficiency and timeliness of processing the requests, and creates a burden on patent owners.”¹²⁵

The next most frequent form of misconduct involved material information withheld from the PTO. Although no respondents

122. See 35 U.S.C. § 303(a) (“Within three months following the filing of a request for reexamination . . . the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request . . .”).

123. Hershkovitz, *supra* note 18. This strategy is actually somewhat encouraging as a sign that the PTO is taking its responsibility under § 303 more seriously in some cases, departing from its past practice of “rubber stamping” almost all the requests it received. *Cf. supra* notes 71-73 and accompanying text. On the other hand, one would assume that more substantial scrutiny would yield fewer requests granted; this has not been borne out in statistics.

124. See *Changes to Implement Inter Partes Review Proceedings, supra* note 58, at 7053.

125. *Id.* at 7051.

specified what the requesters withheld, it is well to remember that in the one extant case wherein a Third-Party Requester was found to have committed misconduct, the information withheld would have “establish[ed] the publication date . . . and public accessibility of an alleged printed publication”¹²⁶ on which the merits of the reexam would have turned.

Misrepresentations as to the publication date and public accessibility of references were reported with some frequency, as anecdotal evidence suggested they would be.¹²⁷ Likewise, it was reported that requestors would distort figures redrawn from the prior art. The latter practice, it should be recognized, is analogous to misrepresenting legal arguments, which has long been sanctionable under Rule 11: there is little difference between a precedent or statute which is selectively quoted to alter its meaning and a figure which is intentionally redrawn in a distorted manner.¹²⁸ Deliberate mistranslation of a foreign reference was also reported, again as anecdotal evidence had suggested,¹²⁹ though only once.

“Other” was selected by four respondents, indicating that there were forms of misconduct not considered in designing the survey. One requester elaborated, writing that the requester “misrepresent[ed] [the] prosecution of patent,” presumably meaning that the requester misrepresented some aspect of the patent’s prosecution history. Again, this is analogous to

126. *Total Containment, Inc., v. Environ Products, Inc.*, 921 F. Supp. 1355, 1377 (E.D. Pa. 1995); see also *Ball Corp. v. Xidex Corp.*, 967 F.2d 1440, 1442-43 (10th Cir. 1992) (patentee-plaintiff alleged that third-party requester, *inter alia*, “withheld and prevented presentation of material evidence” which was “relevant to the issue of commercial success, a factor which supports a finding of patentability”).

127. See *Total Containment*, 921 F. Supp. at 1378 (finding that third-party requester withheld material information from the PTO bearing on the date and public accessibility of purported prior art); see also Complaint at 16-17, *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP*, No. 09-CV-5157 (C.D. Cal. July 15, 2009) (alleging that defendants misrepresented the dates and public accessibility of purported prior art in their requests for reexamination).

128. See, e.g., *In re Cascade Energy & Metals Corp.*, 87 F.3d 1146, 1151 (10th Cir. 1996) (imposing sanctions on attorney for omitting language which “completely changed the meaning of the statute,” and noting that “any omission has the potential to change the meaning of the quoted material.”).

129. See Mercado, *supra* note 3, at 139-40 (reexamination wherein the patent owner alleged that third-party requester had mistranslated Japanese prior art references).

misrepresenting the record on appeal, a practice often sanctioned by courts.¹³⁰

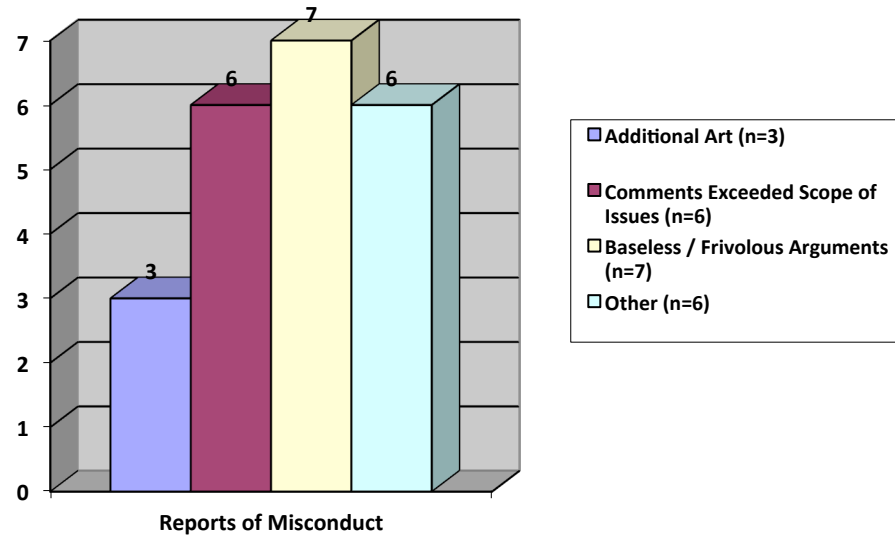
Question 10, responses to which are presented in Figure 6, asked respondents to elaborate as to the forms of misconduct occurring during the course of the reexamination proceeding. However, since Third-Party Requesters have been allowed to participate on the merits only in *inter partes* reexams, the question was directed to these.¹³¹

FIGURE 6. Question 10: *The false statements, misrepresentations, or omissions in the Inter Partes reexamination included the following: (Please check all that apply, and feel free to elaborate at the end of this survey.)*

1. *Submitted Additional Prior Art Under 37 CFR 1.948(a)(3) Which Was Known to Requester Before Filing of Request for Reexam*
2. *Requester's Comments Exceeded Scope of Issues Raised by PTO's Office Action*
3. *Baseless / Frivolous Arguments for Applying Prior Art to Patent's Claims*
4. *Other*

130. See, e.g., *Mathis v. Spears*, 857 F.2d 749, 761 (Fed. Cir. 1988) (finding appeal frivolous which was based “on record distortions, manufactured facts, and implausible and unsupported legal arguments”); *Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062, 1068-69 (Fed. Cir. 1987) (sanctioning appellant for frivolous appeal, noting, *inter alia*, appellant’s “spurious and specious arguments and its distortion and disregard of the record and opposing authorities”).

131. The exception is that requesters are permitted to participate in *ex parte* reexaminations if the patent owner elects to file a statement under 37 C.F.R. § 1.530. In that case, the requester may file a response on the merits. However, patent owners statements are so infrequently filed (partly because patentees want to prevent this very participation by the requester) that the PTO introduced a pilot program in 2010 whereby patent owners may elect to formally waive their right to file such a statement. This was done in an effort to reduce pendency, helping the PTO to prioritize reexaminations where no such statement will be filed and defer action on others where such a statement may be forthcoming. See *Pilot Program for Waiver of Patent Owner's Statement in Ex Parte Reexamination Proceedings*, 75 Fed. Reg. 47269-01 (Aug. 5, 2010).



As at the request stage, the use of baseless or frivolous arguments was the most frequently reported form of misconduct during the merits of reexam, perhaps unsurprising given that *inter partes* reexamination presents more opportunities for arguments to be made.

Conversations with practitioners prior to this survey had indicated that requesters would sometimes introduce additional prior art during *inter partes* reexaminations. For example, the complaint was made that requesters would attempt to ‘entrap’ the patent owner, deliberately holding back some prior art and waiting for him to amend his claims, only to unleash additional art rendering the claim amendments inadequate to preserve validity. Additional amendments could of course be made, but it was felt that the PTO would look askance at frequent changes of position by the patent owner, giving the requester a tactical advantage and unduly prolonging the proceeding. One may question the fairness of this practice (particularly where substantive amendments have already been made), but PTO regulations have allowed it under limited circumstances, specifically: where submitting additional prior art was “necessary to rebut a finding of fact by the examiner,” “necessary to rebut a response of the patent owner,” or “which for the first time became known or available to the third party requester after the filing of the request for *inter partes* reexamination proceeding.”¹³² Though regulation prohibits improper introduction of new evidence, there is no formal process by which this may be challenged, and any attempt to do so would probably have been received by the PTO as diversionary. As

132. 37 C.F.R. § 1.948(a).

expected, several respondents reported this. One respondent, gesturing at the increased complexity of *inter partes* proceedings, remarked in passing that “the cost of a[n] *inter partes* reexamination is sometimes used as a club by large defendants to bludgeon the patent owner.”¹³³

Another lamented practice, substantially reported by respondents, is the tendency of requesters to exceed the proper scope of issues when filing comments in response to the patent owner. Regulations require the requester’s comments to “be limited to issues raised by the Office action or the patent owner’s response,” but respondents indicated that this was rarely if ever enforced. As one respondent noted, “requesters tend to go beyond the scope in their comments or will . . . introduce new grounds of rejection and the office typically does not catch these transgressions.”¹³⁴ Hence, according to the respondent:

[T]he patent owner is left with petition practice to point these out to the Office. Although in my experience, the Office will make the correct decision in light of the petition (although often pretending they did so *sua sponte*, and dismissing the petition as moot), the Office actively admonishes practitioners for their petition practice. If the Office would take action initially, much of the petition practice would not be necessary.¹³⁵

The relatively large number of reports of “Other” misconduct may stem from the failure to include an option for “Withheld Material Information” in the *inter partes* context, as one respondent commented that the PTO “took [the] omissions” into consideration once they were reported (without elaborating as to what the requester omitted). In designing the survey, it had been hypothesized that the most likely place for “withheld information” was at the request stage, but since requesters could continue to submit prior art throughout the *inter partes* proceeding, there obviously exist multiple opportunities for withholding information (pertaining to, e.g., the date or publication status of the prior art). Similarly, some instances of mistranslation or deceptively redrawn figures, separately reported in Question 2 where those answer choices were available, may also have been reported here under

133. Quoted from Comment of Respondent.

134. *Id.*

135. *Id.*

“Other.” Finally, there may be forms of misconduct occurring that are readily categorizable only under “Other.”

C. Serial Reexamination As A Delay Tactic

Although it is already well-known that reexamination has been used to delay patent litigation, a further level of delay is attained when the original requester (or, on occasion, the requester’s co-defendant in a patent infringement case¹³⁶) files a second request for reexamination while the first is pending. The practice has been compared to “gang tackling” in football, where you have “multiple actual or potential defendants in an infringement suit and you take turns attacking the patent serially, so I file an *ex parte* reexam, then Dan files a post-grant review, and Brooks files an *inter partes* review, and we put the patent under a 5-10 year cloud.”¹³⁷ As one court observed after *five* consecutive requests for reexamination were filed against a patent, “if . . . these defendants are attempting to game the patent system and prevent [the patentee] from enforcing its patent rights by perpetually tying the patent up in reexamination . . . such conduct does nothing for the certainty of patent rights.”¹³⁸

Respondents were therefore asked in Questions 6 and 7 whether they were aware of such a case and, if so, whether they believed the subsequent re-exam was filed for the purpose of delay.

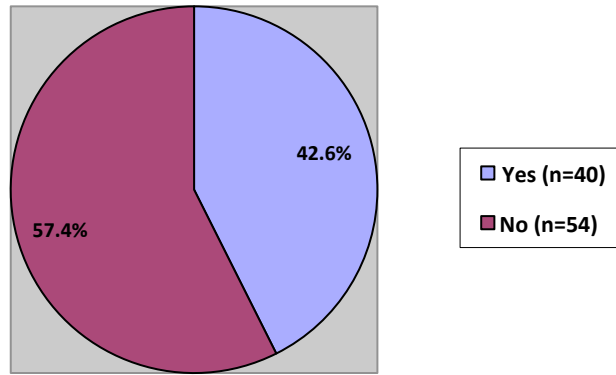
As shown in Figure 7, 42.6% of respondents answering the question (40 of 94) reported experience with a subsequent reexamination request from the same requester.

FIGURE 7. Question 6: *Are you aware of a reexamination proceeding during which the Third-Party Requester filed another request for reexamination of the same patent?*

136. The AIA has tightened the requirements for joinder in patent infringement cases, in general forcing patent holders to sue each alleged infringer separately. See 35 U.S.C. § 299. This was intended to drive up the litigation costs for some patent holders who were thought to have been filing frivolous lawsuits in an effort to obtain nuisance-value settlements. But it is also having the unintended consequences of increasing complexity on the courts and may also be making it somewhat more difficult for joint defense groups to form among those sued by for infringing the same patent.

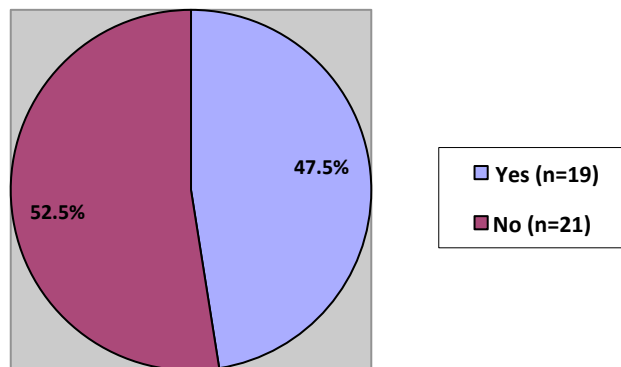
137. Michel, *supra* note 7, at 1:08:00-1:08:25.

138. *Antor Media Corp. v. TruSonic, Inc.*, No. 5:06-CV-270 (DF) 2009 U.S. Dist. LEXIS 24185 at *8 (E.D. Tex. Mar. 9, 2009).



Respondents answering affirmatively (n=40) were then asked, in Question 7, whether in their judgment the request was filed for the purpose of delay. As shown in Figure 8, 47.5% of practitioners responding believed these were indeed filed for delay.

FIGURE 8. Question 7: *In your judgment, was the subsequently filed request for reexamination an attempt to delay resolution of the proceeding?*



Thus, approximately 20.2% of respondents who answered this line of questions (19 of 94) reported having experienced serial reexamination at some point in their practice. This is roughly comparable to other statistics in this area; for example, by one estimate, “11% of patents accepted for reexamination by the USPTO are reexamined more than once.”¹³⁹

139. See *Baxter*, 678 F.3d at 1368, n. 1, (Newman, J., dissenting), (citing Robert G. Sterne et al., *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 11 *Sedona Conf. J.* 1 (Sept. 2010)).

Respondents were loquacious in their comments regarding the use of reexamination to impose delay, observing that “[r]e-examination, especially ex parte, has been badly misused [over] the last 5-10 years to delay and frustrate patent holders['] attempts to enforce their patents.”¹⁴⁰ As one explained, “the third party requestor can simply pick from among the prior art references cited in the prosecution and reexamination history and fire off another re-exam request. Using this tactic, a defendant in patent litigation can harass the patentee and attempt to stay an infringement case indefinitely.”¹⁴¹ “I can say that re-exams,” another respondent went on, “particularly inter partes, are an effective way to prolong a lawsuit (from the defendant’s perspective), which can effectively be a win if the claims are narrowed and intervening rights apply.”¹⁴² “With the right amount of resources and incentives,” one remarked ominously, “re-exam offers an opportunity to attack a patent asset without limits.”¹⁴³ This behavior was classed under the category “gamesmanship” by a respondent who explained with some resignation that “the patent holder was repeatedly hit with subsequent reexaminations in order to delay litigation. This, however, [was] within rules and the subsequent re-exams were granted so they had merit.”¹⁴⁴ It was just unfortunate that everything could not have been dealt with all at once instead of sequentially over a long period of time.”¹⁴⁵ Another respondent reported that “[r]e-exam has been used, successfully, by a defendant to delay progress in a patent enforcement lawsuit filed by my client. The judge stayed the litigation pending the re-exam. Once the re-exam was complete, a new reexamination request was filed, and the stay remained. A reexamination certificate has, again, been issued, and I’m waiting for yet another reexamination request to be filed before the stay is lifted.”¹⁴⁶

D. Remainder of the Survey

Other survey questions, unfortunately, received so few responses as to make it difficult to draw any meaningful

140. Quoted from Comment of Respondent.

141. *Id.*

142. *Id.*

143. *Id.*

144. Compare the logic of this respondent to the arguments discussed *supra* at Section II.A.1-2.

145. Quoted from Comment of Respondent.

146. *Id.*

conclusions. The few responses to Questions 4 and 13,¹⁴⁷ which asked respondents who reported misconduct whether it was brought to the attention of the examiner or the OED, suggests that practitioners simply do not see the PTO as a meaningful enforcer of discipline. This is unsurprising, given the PTO's history of reluctance to delve into issues relating to fraud and frivolousness.¹⁴⁸

While some respondents did answer Questions 3, 8, or 11,¹⁴⁹ which asked them to provide specific control numbers for the reexaminations involving misconduct or the reexaminations filed for delay, so few respondents felt comfortable doing this that little can be said about the specific cases here. For example, one respondent answered: "sorry to say that the case is still on appeal and I do not want to go public at this time."¹⁵⁰ Qualitative research in this area is badly needed, even beyond the handful of cases examined closely in recent scholarship.¹⁵¹ It is hoped that this study may encourage other practitioners and patent owners to come forward with their experiences.

V. CONCLUSION: WILL THE PAST BE A PROLOGUE?

In light of these results, we should at last be able to put to rest the notions that misconduct in reexamination is either a structural impossibility or an event so rare as not to trouble us. To the contrary, on the basis of this sample, we can estimate that more than a quarter (25.5%) of the patent bar practicing in reexamination has experienced such misconduct at one time or another. Similarly, about 20% of practitioners have seen serial reexamination used for the purpose of delay. Whether the history of fraud and abuse that has distinguished reexamination will now repeat itself in the new post-grant and *inter partes* review procedures will depend on the steps taken to ensure their integrity.

Perhaps the most powerful single step that could be taken in this direction would be to enact a private right of action for the patent holders harmed by such misconduct.¹⁵² This would serve

147. See Appendix A.

148. See *supra* note 83 and accompanying text.

149. See Appendix A.

150. Response from Survey Respondent (Aug. 6, 2012).

151. See Mercado, *supra* note 3, at 137-44 (examining three cases wherein misconduct by the requester was alleged on the record).

152. See Mercado, *supra* note 7 and Mercado, *supra* note 3, at 155-56, for the first instances of this proposal. The proposition is gaining support. See, e.g., Ron Katznelson, *Here They Go Again – This Time with the Patent SHIELD*

the dual purposes of compensating the victims and deterring would-be perpetrators. And in seeking models for such a cause of action, legislators do not have far to look: as mentioned above, the PTO already has in place an excellent regulation, Rule 11.18,¹⁵³ explicitly modeled on rules used to punish and deter misconduct in the federal courts for decades.

In the courts, misconduct is deterred by the specter of Rule 11 sanctions,¹⁵⁴ and when it does occur, state tort remedies such as malicious prosecution exist to compensate the victims.¹⁵⁵ Before the PTO, by contrast, Rule 11.18 is virtually a dead letter owing to its nonenforcement against parties challenging patents, and state law remedies, available in most other types of litigation, have been held preempted.¹⁵⁶ If the present study is any indication, misconduct in reexamination has been occurring at roughly the rate misconduct occurs in the courts, perhaps significantly more so,¹⁵⁷ and yet with none of the protections typically available to litigants.

Given the PTO's endemic inability to police itself and oft-voiced preference that the courts should take the lead in doing so,¹⁵⁸ enforcement should be the province of the parties most likely

Act, IPWatchdog (Aug. 26, 2012) ("A federal cause of action should be available, but under current law it is not."), <http://www.ipwatchdog.com/2012/08/26/here-they-go-again-this-time-with-the-patent-shield-act/id=27476/>.

153. 37 C.F.R. § 11.18

154. *See, e.g., U.S. Express Lines, LTD. v. Higgins*, 281 F.3d 393, 393 (3d Cir. 2002) ("[T]he main objective of the Rule is not to reward parties who are victimized by litigation but to deter baseless filings.") (quotations omitted).

155. *See, e.g., Young v. Allstate Ins. Co.*, 119 Haw. 403, 418 (2008) ("The tort of malicious prosecution protects the interest in freedom from unjustifiable litigation . . . The tort serves to compensate a party sued in a malicious and meritless legal action for his or her financial costs, as well as psychic damage from the shock of the unfounded allegations in the pleadings[] and . . . the loss of his reputation in the community as a result of the filing and notoriety of the base allegations in the pleadings which are public records.") (citations omitted).

156. *Compare, e.g., Satten v. Webb*, 99 Cal. App. 4th 365, 376 (2002) ("State tort law of malicious prosecution may reach malicious federal litigation.") with *Lockwood v. Sheppard, Mullin, Richter & Hampton, LLP*, No. 09-CV-5157, slip op. (C.D. Cal. Nov. 24, 2009) (holding, *inter alia*, that plaintiffs' state law claims for malicious prosecution and fraud arising from reexamination proceedings before the PTO are preempted by federal law), *aff'd*, 403 Fed. App'x 508, (Fed. Cir. 2010), *reh'g and reh'g en banc denied* (Fed. Cir. 2011), *cert. denied*, 132 S. Ct. 97 (2011).

157. *See supra* note 105 and accompanying text.

158. Brief for The United States as Amicus Curiae on Rehearing En Banc in Support of Neither Party at 16, *Therasense, Inc. v. Becton, Dickinson & Co.*, 593 F.3d 1289 (Fed. Cir. 2010) ("[T]he agency is constrained in its ability to

to know when fraud occurs: the victims. Patent holders suffering harm through misconduct in reexam could enforce Rule 11.18 in much the same way that the PTO's Rule 56 has been enforced by defendants through the inequitable conduct doctrine—but through a cause of action crafted in such a way as to avoid the “plague” of inequitable conduct.

First, any such cause of action should be subject from the outset to the heightened pleading requirements of Fed. R. Civ. P. 9(b),¹⁵⁹ an improvement not introduced into the inequitable conduct doctrine until relatively late in its history.¹⁶⁰ In deciding cases enforcing Rule 11.18, courts would be able to draw upon well-developed caselaw applying Rule 9(b)¹⁶¹ and analogous Rule 11,¹⁶² which will do a great deal to inoculate the new cause of action from any possible “plague.”¹⁶³

Second, the universe of possible cases triggered by violations of 11.18 could be narrowed through a “but-for materiality” requirement along the lines recently adopted in *Therasense*. When a court adjudicates inequitable conduct it “must determine

investigate ‘fraud on the PTO’ because OED cannot issue subpoenas during their investigations.”).

159. Fed. R. Civ. P. 9(b) (“In all averments of fraud or mistake, the circumstances constituting the fraud or mistake shall be stated with particularity.”).

160. See *Ferguson Beauregard/Logic Controls, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003) (“[I]nequitable conduct, while a broader concept than fraud, must be pled with particularity.”). Although the Federal Circuit did impose the particularity requirement of Rule 9(b) until 2003, district courts were doing so prior to that point. See David Hricik, *Wrong About Everything: The Application by the District Courts of Rule 9(b) to Inequitable Conduct*, 86 Marq. L. Rev. 895 (2003) (“The United States Court of Appeals for the Federal Circuit has not yet addressed whether the heightened pleading requirements of Federal Rule of Civil Procedure 9(b) apply to pleadings alleging inequitable conduct. The district courts that have addressed that question have held, with one exception, that inequitable conduct must be plead with particularity in accordance with Rule 9(b).”). The author is unaware of statistics assessing the specific impact of Rule 9(b) on the plague of inequitable conduct claims during this period; however, by the time of *Therasense*, 9(b) alone was not held to be enough.

161. See *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 (Fed. Cir. 2009) (drawing on the Seventh Circuit’s jurisprudence on 9(b), requiring “identification of the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO”).

162. Fed. R. Civ. P. 11.

163. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009).

whether the PTO would have allowed the [patent] claim”¹⁶⁴ *but for* the patentee’s misconduct—i.e., it must determine whether that misconduct was *material* to the issuance of the claim, or whether the claim would have issued in any event. In the same way, a court deciding a case arising from a patent challenger’s misconduct would have to determine whether it was material to the initiation of the proceeding or to the cancellation of a claim.¹⁶⁵ Hence, not all violations of 11.18 in a reexamination or post-grant review would give rise to a suit for damages, only those *material* to the initiation or outcome of the proceeding. There may be cases in which some frivolous argument is made or some evidence is falsified, but if in any event the patent would have undergone review or been cancelled on separate and legitimate grounds, then the patent holder generally cannot be said to have been harmed by the misconduct. By contrast, where the proceeding would never have transpired in the first place or where the PTO would not have rejected a claim *but for* the misconduct of the patent challenger, then the patent holder should have a right to recover damages.

164. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1291 (Fed. Cir. 2011) (*en banc*).

165. By cancellation, I mean a *preliminary* claim rejection by the PTO, one that might unduly prolong the proceeding while the patent owner is forced to rebut it. A suit for damages based on the *ultimate* cancellation of the claim (following appeals to the PTAB and the Federal Circuit) should be countenanced with caution, for it is easy to see that unsuccessful patentees soon be tempted to sue patent challengers, though their patents were cancelled legitimately. It could provide an opportunity as well to collaterally attack a finding of invalidity as to the patent. For similar reasons, plaintiffs in the analogous malicious prosecution context have long been required to show that a wrongfully instituted proceeding has terminated in their favor prior to bringing suit. *See, e.g., Heck v. Humphrey*, 512 U.S. 477, 484-85 (1994) (“One element that must be alleged and proved in a malicious prosecution action is termination of the prior . . . proceeding in favor of the accused. . . . This requirement avoids parallel litigation over the issues of probable cause and guilt . . . and it precludes the possibility of the claimant [sic] succeeding in the tort action after having been convicted in the underlying criminal prosecution, in contravention of a strong judicial policy against the creation of two conflicting resolutions arising out of the same or identical transaction. Furthermore, to permit a convicted criminal defendant to proceed with a malicious prosecution claim would permit a collateral attack on the conviction through the vehicle of a civil suit. This Court has long expressed similar concerns for finality and consistency and has generally declined to expand opportunities for collateral attack”) (citations omitted). A similar rule may need to be developed for lawsuits of this type. However, given that a requirement of favorable termination may not make sense for all fact situations or harms arising from violation of 11.18, this would be preferably developed on a case-by-case basis than imposed by the statute creating the cause of action.

Nevertheless, this materiality requirement should be softened somewhat, as in *Therasense*, through an exception for “egregious misconduct”¹⁶⁶ which may not reach the high standard of materiality but nevertheless harms the patent holder.

As matters now stand, reexamination and the new generation of administrative procedures for challenging patents are undermined by the potential for rampant abuse. These processes should be protected in such a way as to compensate patent holders when misconduct occurs, and to deter it before it does.

166. *Therasense*, 649 F.3d at 1292 (“Although but-for materiality generally must be proved to satisfy the materiality prong of inequitable conduct, this court recognizes an exception in cases of affirmative egregious misconduct.”)

APPENDIX A:

Survey – Conduct of Third Party Requesters in Reexamination

1. Are you aware of a reexamination wherein the Third-Party Requester made false statements, misrepresentations, or omissions which may have influenced the PTO's decision to grant the request and institute the reexamination proceeding?

Yes

No

2. The false statements, misrepresentations, or omissions included the following: (Please check all that apply, and feel free to elaborate at the end of this survey.)

Publication Date of Reference(s) Misstated or Not Established

Reference(s) Failed to Meet Standard of Public Accessibility

Foreign Reference(s) Mistranslated

Baseless/Frivolous Arguments for Applying Prior Art to the Patent's Claims

Figures Redrawn from Prior Art in a Distorted Manner

Withheld Material Information from PTO

Other

3. Please specify the control number (or relevant patent number) of the reexamination you are referring to.

4. Was the Third-Party Requester's conduct brought to the attention of the examiner or OED?

Yes

No

5. What was the response of the Examiner or OED?

6. Are you aware of a reexamination proceeding during which the Third-Party Requester filed another request for reexamination of the same patent?
- Yes
 - No
7. In your judgment, was the subsequently filed request for reexamination an attempt to delay resolution of the proceeding?
- Yes
 - No
8. Please specify the control number (or relevant patent number) of the reexamination you are referring to.
9. Are you aware of an Inter Partes reexamination proceeding wherein the Third-Party Requester made false statements, misrepresentations, or omissions in its Third-Party Comments?
10. The false statements, misrepresentations, or omissions in the Inter Partes reexamination included the following: (Please check all that apply, and feel free to elaborate at the end of this survey.)
- 1. Submitted Additional Prior Art Under 37 CFR 1.948(a)(3) Which Was Known to Requester Before Filing of Request for Reexam
 - 2. Requester's Comments Exceeded Scope of Issues Raised by PTO's Office Action
 - 3. Baseless / Frivolous Arguments for Applying Prior Art to Patent's Claims
 - 4. Other
11. Please specify the control number (or relevant patent number) of the reexamination you are referring to.

12. Was the Third-Party Requester's conduct brought to the attention of the examiner or OED?

Yes

No

13. What was the response of the Examiner or OED?

14. Please feel free to elaborate further with respect to any of the foregoing questions, and with any comments you may have as to the nature and extent of fraud and gamesmanship in the reexamination process generally.

15. Would you be available for a followup interview regarding your responses?

Yes

No