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THE NEW ROLE OF REEXAMINATION
IN PATENT LITIGATION

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The New Role of Reexamination in Patent Litigation

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THE NEW ROLE OF REEXAMINATION IN PATENT LITIGATION²

I. INTRODUCTION

In 2005, the U.S. Patent and Trademark Office formed a Central Reexamination Unit for improving the quality and efficiency of the patent reexamination process. Litigants are increasingly using *inter partes* and *ex parte* reexamination as an avenue to challenge patent validity, especially in highly technical cases that may be difficult for juries. Presented here is a look at the new role of reexamination in patent litigation including practitioner perspectives on improving the reexamination process, litigation strategies, and the interplay between reexamination and litigation at all stages of the proceedings.

Reexamination may be an attractive option for a patent defendant under the right circumstances. As an administrative proceeding, it opens up a new front in the case that can create additional levels of uncertainty for the plaintiff-patentee in terms of time to trial, estoppels, claim construction, and intervening rights. It also creates a separate opportunity for preservation of rights on appeal by the defendant.³ However, reexamination is not without risk. As for *ex parte* reexamination, it is often regarded as insufficient because after a reexamination is ordered, the third party's participation is limited to one statutory reply prior to examination, which may only be filed if the patent owner files a pre-examination optional statement. The *inter partes* reexamination procedure was intended to address this apparent defect. It provides an inexpensive way, as compared with litigation, for a third party who discovers new prior art to challenge the patent and to participate both in the examination and appeal stages of the proceeding. But *inter partes* reexamination has not been pursued routinely for fear it will backfire with an affirmation of the patent claims by the Patent Office, and create estoppel in the litigation as to any ground or issues the requester raised or "could have raised."⁴ As a

² October 23, 2006. Authored by David L. McCombs and David M. O'Dell.

³ In 2002, in order to make the optional *inter partes* reexamination procedures a more attractive alternative to litigation, the *inter partes* reexamination practice was expanded to provide third parties the right to appeal to the U.S. Court of Appeals for the Federal Circuit and to participate in the patent owner's appeal to the Court. *See*, 21st Century Department of Justice Appropriations Authorization Act, Pub. L. 107-273, 116 Stat. 1758, 1899-1906 § 13202 (2002).

⁴ An estoppel adverse to a third-party requester (which does not exist in *ex parte* reexamination) will attach in the case of an *inter partes* reexamination, if the requester is unsuccessful in the *inter partes* reexamination proceeding. The requester is estopped from later asserting in any civil action, or in a subsequent *inter partes* reexamination, the invalidity of any claim finally determined to be valid and patentable on any ground the third-party requester raised or could have raised in the *inter partes* reexamination. 35 U.S.C. § 315(c) (2006). Also, the requester might be estopped from later challenging in a civil action any "fact" determined in the *inter partes* reexamination. *See*, House Report 106-464 - Intellectual Property and Communications Omnibus Reform Act of 1999, Subtitle F - Optional *Inter partes* Reexamination Procedure, § 4607 (uncodified).

result, neither *ex parte* nor *inter partes* reexamination has been utilized to the degree envisioned when enacted by Congress.

Recently though, more litigants are using the reexamination procedure.⁵ A new look at reexamination is further being fueled by shifts at the Patent Office to improve patent quality,⁶ the formation of the Central Reexamination Unit for the purpose of improving the reexamination process,⁷ and a general recognition of the high percentage of reexamination requests being granted.⁸ Although the *inter partes* reexamination procedure is too new to provide meaningful statistics on ultimate outcomes, circumstances suggest that the Patent Office is taking clear steps to make both forms of reexamination an attractive option for challenging patents in today's environment.

As part of the defense strategy, a threshold inquiry is whether or not a reexamination should be filed. If so, the analysis proceeds with what type or types of reexamination to file, how to prepare a request with the highest chances of success, how to craft the request to best drive important claim construction issues in the case, and when to file the request. Also for consideration is the impact the reexamination might have on the development of other defenses including inequitable conduct, on-sale bar, prior public use, and how to best maximize such parallel defenses. Additionally, other scenarios need to be addressed, including how to reduce the effect of a reexamination not being granted for a particular claim, and claim amendments.

II. THE REEXAMINATION PROCESS

Reexamination is one of four ways by which a patent can be "corrected" or amended.⁹ Reexamination is unique in that it can be requested by anyone, and not just

⁵ While only 53 *inter partes* reexamination requests were filed in the first five years that the procedure was available, more than 75 new *inter partes* requests have been filed between Jan.-Sep. 2006. See, United States Patent And Trademark Office Report To Congress On *Inter partes* Reexamination available at http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm.

⁶ Patent Quality Improvement Hearing Before the Subcommittee on Courts, the Internet, and Intellectual Property of the Committee of the Judiciary, House of Representatives, 188th Congress, First Session, July 24, 2003 (available at: <http://www.house.gov/judiciary>).

⁷ *USPTO Improves Process For Reviewing Patents*, Press Release #05-38 dated July 29, 2005, United States Patent and Trademark Office. ("The 20-examiner [central reexamination] unit began operating earlier this week and all new requests for reexamination will be assigned to them." . . . "In addition, all future reexamination proceedings will be completed within a specific timeframe, which is expected to be less than two years.").

⁸ See, <http://www.uspto.gov/web/offices/pac/dapp/patentlegaladminmain.html>. Ninety-one percent and ninety-five percent of requests for *ex parte* and *inter partes* reexaminations, respectively, are granted according to recent government statistics. See also, *infra*, Appendix A.

⁹ The four ways are: 1) reexamination; 2) reissue; 3) certificate of correction; and 4) disclaimer. See generally, Patent & Trademark Office, Manual of Patent Examining Procedure, Ch. 1400 (8th Ed., Rev. 3, August 2005) ("MPEP").

the patent owner.¹⁰ There are two types of reexamination: *Ex parte* reexamination and *inter partes* reexamination. *Ex parte* reexamination is available for all pending patents, while *inter partes* reexamination is only available for patents “issued from an original application filed in the United States on or after November 29, 1999.”¹¹

A. *EX PARTE* REEXAMINATION

Congress enacted *ex parte* reexamination in 1980 by the creation of 35 U.S.C. §§ 301-307. The Rules of Practice governing *ex parte* reexamination are provided in 37 C.F.R. 1.510 - 1.570. The Manual of Patent Examining Procedure (MPEP) provides additional detail in Chapter 2200, titled “Citation of Prior Art and *Ex parte* Reexamination of Patents.”

An *ex parte* reexamination is initiated by filing a “Request for Reexamination.” The request must identify a “substantial new question of patentability” affecting any claim of the patent concerned, based on patents and publications.¹² The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.¹³ Anyone, including the patentee, may initiate *ex parte* reexamination and provisions are available for keeping the requester’s identity confidential.¹⁴ Multiple requests for *ex parte* reexamination can be filed, as long as each request raises a substantial new question of patentability¹⁵ and as long as the second or subsequent request was not filed for purposes of harassment of the patent owner.¹⁶ It is not unusual for multiple requests to be merged into a single proceeding.¹⁷ Issues not based on patents or printed publications,

¹⁰ An interference proceedings can also be initiated by a third party, but this proceeding has a different set of requirements that is beyond the scope of the present paper. 35 U.S.C. § 135. *See also*, MPEP Ch. 2300.

¹¹ 37 C.F.R. § 1.913 (2004).

¹² 35 U.S.C. § 303 (2006).

¹³ 35 U.S.C. § 303 (2006).

¹⁴ 37 C.F.R. § 1.501 (2004).

¹⁵ *See*, 37 C.F.R. § 1.565(c) (2004). Note, however, that the same prior art reference may be used to start a second reexamination during the pendency of the first reexamination “only if the prior art cited raises a substantial new question of patentability which is different than that raised in the pending reexamination proceeding.” MPEP § 2240.

¹⁶ *See*, MPEP § 2240.

¹⁷ 37 C.F.R. § 1.989 (2004).

such as inventorship, inequitable conduct, enablement, written description, and best mode are not considered when making the determination on the request for reexamination.¹⁸

Upon filing a request for *ex parte* reexamination, the Director of the Office will make a determination whether or not a substantial new question of patentability affecting any claim is raised by the request, and then enter an order granting or denying the request, within 90 days.¹⁹ If granted, the order will identify which claims are subject to reexamination, and at least one reference supporting the grant of the reexamination. Upon a grant order for reexamination, within two months of service the patent owner optionally may file a “statement” on such question, including any narrowing claim amendments or new claims for consideration, a cancellation of claims, or a correction of inventorship.²⁰ If (and only if) the patent owner files such a statement, within two months thereafter the requester may file and have considered a reply to the patent owner’s statement.²¹ Otherwise, the requester is no longer able to participate in the reexamination, nor any appeals therefrom. Following the grant and any responses or replies, the examiner will issue an Office action. Subsequent prosecution of an *ex parte* reexamination by the patent owner is similar to that of a utility patent application, with some differences in amendment formats and timing.

Reexamination proceedings, including any appeals, are to be conducted with special dispatch within the Office.²² In addition to the use of accelerated time limits, to bring the prosecution to a speedy conclusion “it is intended that the second Office action in the reexamination proceeding following the decision ordering reexamination will be made final[.]”²³ Current statistics for *ex parte* reexamination (discussed below) show an average pendency time of 23 months from the initial order to the issuance of a reexamination certificate.

A flow chart describing the steps in an *ex parte* reexamination procedure is provided below, with timings listed to the right of the chart. The timings are provided

¹⁸ See, MPEP § 2217. The requirements of 35 U.S.C. § 112 can be addressed for the purpose of determining a priority date of a claim, if the application is a continuation, divisional, or continuation-in-part of another application. *Id.* Also, the patent owner can make corrections to inventorship during the reexamination. 37 C.F.R. § 1.530(l) (2004).

¹⁹ See, 35 U.S.C. § 303(a) (2006) and 37 C.F.R. § 1.515(a) (2004).

²⁰ See, 35 U.S.C. §§ 304, 305 (2006) and 37 C.F.R. § 1.530 (2004).

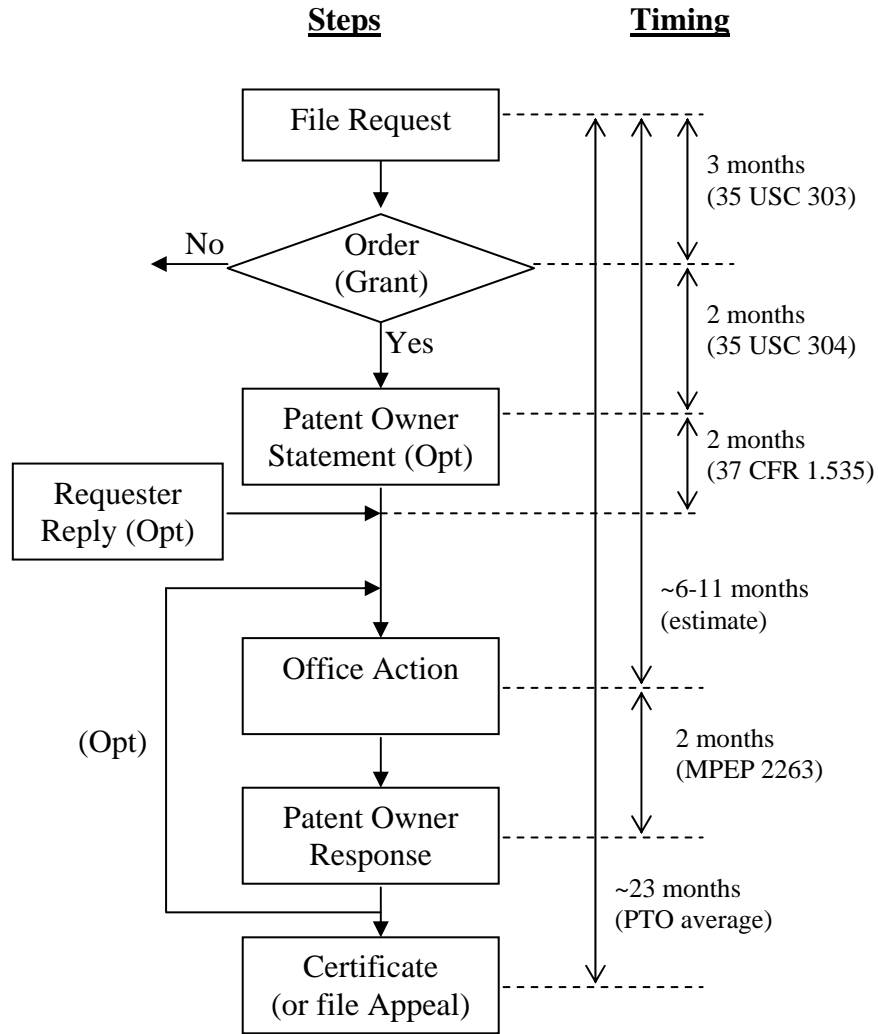
²¹ See, 35 U.S.C. § 304 (2006) and 35 C.F.R. § 1.535 (2004).

²² See, 35 U.S.C. § 305 (2006). See also, 37 C.F.R. §§ 1.111, 1.550, 1.956 (2004); and MPEP §§ 2266, 2647.01. Office Actions should be produced with “special dispatch.” Special dispatch also means that the patent owner may obtain time extensions only for good cause shown, and the requester cannot get time extensions.

²³ See, MPEP § 2271.

directly from the applicable rules and/or statutes, except for the estimated and average times so indicated.²⁴

***Ex Parte* Reexamination**



Arguably, the biggest drawback of *ex parte* reexamination is the inability of a third party requester to remain involved in the process. This drawback is squarely addressed by the creation of the *inter partes* reexamination process, discussed below.

²⁴ See the following section titled “Reexamination Statistical Analysis,” which provides further support for the estimated and PTO average times given.

B. *INTER PARTES* REEXAMINATION

Congress enacted the *inter partes* reexamination procedure in 1999 as set forth in 35 U.S.C. §§ 311-318. The Rules of Practice governing *inter partes* reexamination are provided in 37 C.F.R. 1.902-1.997. The Manual of Patent Examining Procedure (MPEP) provides additional detail in Chapter 2600, entitled “Optional *Inter partes* Reexamination.”

Inter partes reexamination includes many similarities to *ex parte* reexamination but, as its name implies, allows for participation by the requester throughout the process. Another significant difference is that the patent owner cannot provide a patent owner statement between an order granting reexamination and the first Office action. Typically, an order granting *inter partes* reexamination is issued by the Office along with the first Office action.

As with *ex parte* reexamination, an *inter partes* reexamination is initiated by filing a “Request for Reexamination” that will be granted if the request raises a “substantial new question of patentability” based on published prior art references.²⁵ Issues of inventorship, inequitable conduct, enablement, written description, and best mode as a basis for invalidity cannot be raised.²⁶

A third-party requester can only file one request for *inter partes* reexamination, unless it can be shown that the requester could not have raised the issue at the time of filing the prior request.²⁷

A flow chart describing the steps in an *inter partes* reexamination procedure is provided below, with timings listed to the right of the chart. The timings are provided directly from the applicable rules and/or statutes, except for the estimate and average times so indicated.²⁸

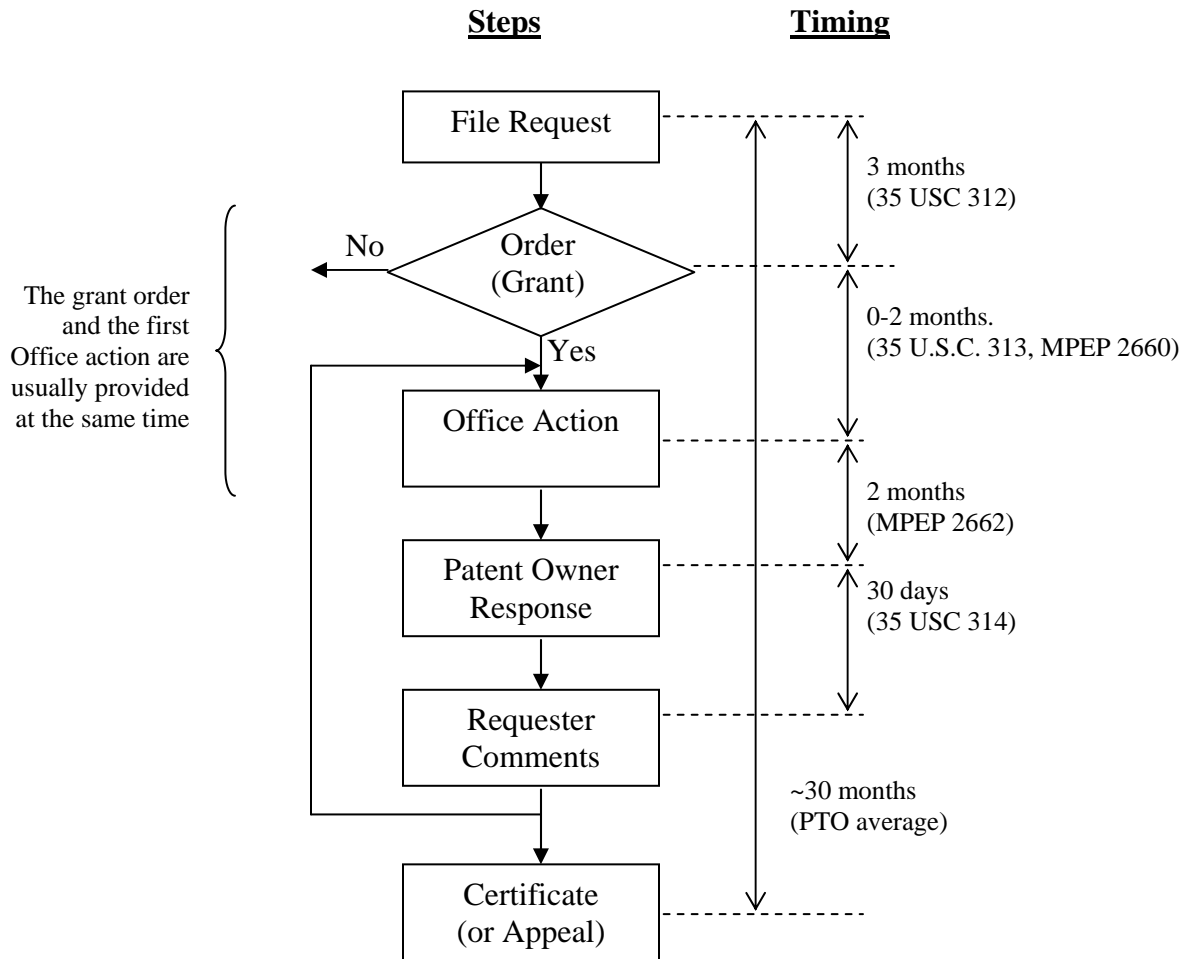
²⁵ 35 U.S.C. § 312 (2006).

²⁶ See, MPEP §§ 2616, 2617. However, the requirements of 35 U.S.C. § 112 can be addressed for the purpose of determining a priority date of a claim, if the application is a continuation, divisional, or continuation-in-part of another application. See, MPEP § 2617. Also, it is noted that the patent owner can make corrections to inventorship during the reexamination. 37 C.F.R. § 1.530(l) (2004).

²⁷ 37 C.F.R. § 1.907 (2004). See the following section titled “Estoppel to Bring Inter Partes Reexamination” for further analysis.

²⁸ See the following section titled “Reexamination Statistical Analysis,” which provides further support for the estimated and PTO average times given.

***Inter Partes* Reexamination**



Speedy First Action. In *inter partes* reexamination, the first Office action is usually provided at the same time as the order for grant, within 90 days following the filing of the request.²⁹ As compared with *ex parte* reexamination, the result can be a much faster initial rejection of the claims.³⁰

Third Party Participation. Throughout the *inter partes* reexamination process, the requester remains involved with substantive communications between the patent owner and the Patent Office. Specifically, 35 U.S.C. § 314 states:

²⁹ See 35 U.S.C. § 312; 37 C.F.R. § 1.935 (2004). The first Office action can be delayed up to 2 months after the order. MPEP § 2660.

³⁰ In an *ex parte* reexamination, it is not unusual for an Office action to be provided 6-11 months after filing. See, e.g., the transaction histories of Reexam Ser. Nos. 90/007,300 and 90/007,310, which are publicly available on the Public Patent Application Information Retrieval (“Public PAIR”) website at <http://portal.uspto.gov/external/portal/pair>.

Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response.

The third-party requester can comment on the Office action, the patent owner's response, or both. This involvement continues through the appeal process, and even includes the ability of the third party requester to participate in appeals initiated by the patent owner and to file appeals to the board of patent appeals and interferences (BPAI) and to the Court of Appeals for the Federal Circuit.³¹ Note, however, that for some filings and Patent Office actions, such as requests for extensions of time by the patent owner or their grant, the third party requester is not entitled to comment.³²

Third Party Estoppel and Litigation. Estoppels that attach in *inter partes* reexamination are the most controversial aspect of the procedure and are "the most frequently identified inequity that deters third parties from filing requests for *inter partes* reexamination of patents."³³

Res Judicata Effect of Reexamination

35 U.S.C. § 315(c) states:

A third-party requester whose request for an *inter partes* reexamination results in an order under section 313 is estopped from asserting ***at a later time***, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or ***could have raised*** during the *inter partes* reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art ***unavailable*** to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings. (Emphasis added.)

To preclude unnecessary litigation, section 315(c) provides that a third-party requester who is granted an *inter partes* reexamination may not assert at a later time in any civil action the invalidity of any claim finally determined to be patentable on any ground that the third-party requester raised or could have raised during the *inter partes*

³¹ 35 U.S.C. § 315 (2006).

³² See, e.g., MPEP § 2665.

³³ United States Patent and Trademark Office Report To Congress on Inter Partes Reexamination at: http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm.

reexamination. However, invalidity may be asserted based upon newly discovered prior art unavailable to the requester and the Office at the time of the reexamination.

The provisions of section 315(c) are unclear in several respects and their scope has yet to be tested. A breakdown of the important considerations are as follows:

- **“at a later time.”** The third-party requester is estopped from asserting “at a later time” in a civil action the invalidity of a claim finally determined to be valid in an *inter partes* reexamination. This language does not appear to preclude the pursuit of identical assertions of invalidity in a co-pending litigation matter. The only litigation assertions estopped are those made after a final determination in reexamination, following appeals (if any) to the BPAI and the Court of Appeals for the Federal Circuit.³⁴
- **“could have been raised” estoppel.** The third-party requester is estopped from asserting at a later time in litigation the invalidity of a patent claim finally determined to be patentable as to all issues which were raised or “could have been raised” during the reexamination proceeding. The “could have been raised” language may be construed to mean that if all possible anticipatory features of a reference, and all possible permutations of obviousness combinations and their motivations to combine, are not explicitly argued in reexamination then they are not later assertable in litigation.

More problematic however is a concern that this “could have been raised” language might be broadly construed to include newly uncovered prior art that “could have been found earlier” through prior art searching; and therefore should have been submitted in reexamination. The outcome of this inquiry also implicates the statutory meaning of the estoppel exception for newly discovered art “unavailable” to the requester and the USPTO, addressed below. The current USPTO position on the meaning of “could have been raised” was posted in the Official Gazette and states: “The question of whether an issued could have been raised must be decided on a case by case basis, evaluating all the facts of each individual situation.”³⁵

- **“unavailable” prior art exception to estoppel.** An exception to the estoppel provisions are that they do not prevent assertions of invalidity in

³⁴ To the extent there is any ambiguity on this point, it is addressed in a proposed amendment that would make clear estoppel is effective only after there has been a “final decision in an inter partes reexamination proceeding that is favorable to the patentability of any original or proposed amended or new claim of the patent.” See, H.R. 2231 § (c)(1).

³⁵ United States Patent and Trademark Office Report To Congress on Inter Partes Reexamination at: http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm, citing *Official Gazette* 1234:97 (May 23, 2000).

litigation based on newly discovered prior art “unavailable” to the third-party requester and the Office at the time of the reexamination. Under a broad interpretation though, it might be argued that a reference which is simply “available” in a database, even though not discovered by the requester, by definition is not “unavailable” to the requester. Therefore it invokes a “could have been raised” estoppel (as recited above).

In a PTO sponsored round table discussion on this issue held February 17, 2004, the round table participants raised the yet unanswered question: “How extensive would a prior art search have to be in order to avoid a ‘could have been raised’ estoppel, or to satisfy the ‘unavailable’ prior art exception?”³⁶ The discussion presumes an affirmative duty to search, which may or may not exist. According to the applicable Congressional Record, “unavailable” prior art is defined as prior art that was “. . . not known to the individuals who were involved in the . . . inter partes reexamination proceeding on behalf of the third-party requester and the USPTO.”³⁷

The Patent and Trademark Office acknowledges “the estoppel provisions should be better defined” and “recommends that Congress further define the extent and nature of estoppel risks imposed upon third parties requesting inter partes reexamination of a patent.”³⁸

Estoppel to Bring *Inter Partes* Reexamination

35 U.S.C. § 317(b) states:

(b) FINAL DECISION.—Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an inter partes reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or inter partes reexamination proceeding, and an inter partes reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other

³⁶ United States Patent and Trademark Office Report To Congress on Inter Partes Reexamination at: http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm.

³⁷ United States Patent and Trademark Office Report To Congress on Inter Partes Reexamination at: http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm, citing S. 1948 (Cong. Rec. 17 Nov. 1999: S14720).

³⁸ United States Patent and Trademark Office Report To Congress on Inter Partes Reexamination at: http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm.

provision of this chapter [35 U.S.C. § §311 et seq.]. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings.

Section 317(b) sets forth conditions by which *inter partes* reexamination is prohibited to guard against harassment of a patent holder. If a third-party requester asserts patent invalidity in a civil action and a final decision is entered that the party failed to prove the assertion of invalidity, or if a final decision in *inter partes* reexamination instituted by the requester is favorable to patentability, after any appeals, that third party requester cannot thereafter request or maintain *inter partes* reexamination on the basis of issues which were or could have been raised. However, the third-party requester may assert invalidity based on newly discovered prior art unavailable at the time of the civil action or prior *inter partes* reexamination.

C. SUBSTANTIAL NEW QUESTION OF PATENTABILITY

The presence or absence of “a substantial new question of patentability” determines whether or not a reexamination is ordered.³⁹ A refusal to declare a reexamination by the reviewing examiner may be petitioned to the Director.⁴⁰ The determination of the Director on this issue is not appealable.⁴¹

Criteria For Deciding Request

The meaning and scope of the term “a substantial new question of patentability” is not statutorily defined and is determined by the Office on a case-by-case basis. The criteria for deciding the existence of a “substantial new question of patentability” is the same for both *ex parte* and *inter partes* proceedings.

A prior art patent or printed publication raises a substantial new question of patentability where:

- (a) “a reasonable examiner would consider the teaching to be **important** in deciding whether or not the claim is patentable;” and
- (b) “the same question of patentability as the claim has not been decided by the office in a previous examination or pending reexamination of the patent or in

³⁹ 35 U.S.C. § 304 (2006).

⁴⁰ 37 C.F.R. § 1.927 (2004).

⁴¹ 35 U.S.C. § 312 (c) (2004).

final holding of invalidity by the Federal Courts in a decision on the merits involving the claim.”⁴²

The meaning of “a substantial new question of patentability” is further clarified by certain guidelines, as outlined below.

Prima Facie Unpatentability Not Required. It is not necessary that a “prima facie” case of unpatentability exist as to the claim in order for “a substantial new question of patentability” to be present as to the claim. Thus, a “substantial new question of patentability” as to a patent claim could be present even if the examiner would not necessarily reject the claim as fully anticipated by, or obvious in view of, the prior art patents or printed publications.⁴³

Note, however, that in the case of *inter partes* reexamination, a first Office action on the merits “will ordinarily be mailed together with the order granting reexamination.”⁴⁴

One Claim Sufficient. A patent or printed publication that applies to at least one claim of the patent will be sufficient to warrant the reexamination of all claims in the patent.⁴⁵

“Old Art” as a Basis for Reexamination. “The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”⁴⁶ A substantial new question (SNQ) of patentability is often based on art previously considered/cited in an earlier concluded Office examination (hereinafter referred to as “old art”).⁴⁷ “For example, a SNQ may be based solely on old art where the old art is being presented/viewed in a new light, or in a different way, as compared with its use in the earlier concluded examination(s), in view of material new argument or interpretation presented in the request.”⁴⁸

⁴² MPEP §§ 2242; 2642 (emphasis in original).

⁴³ MPEP §§ 2242; 2642.

⁴⁴ MPEP § 2660.

⁴⁵ MPEP §§ 2216, 2258.

⁴⁶ 35 U.S.C. § 303(a) (2002).

⁴⁷ The term “old art” is used in the MPEP and was coined by the Federal Circuit in *In re Hiniker*, 150 F.3d 1362 (Fed. Cir. 1998). Public Law 1107-273, 116 Stat. 1758, 1899-1906 (2002) expanded the scope of what may raise a SNQ to include old art.

⁴⁸ MPEP §§ 2242; 2642.

Evidence Supporting Request

Mere citation of a prior art reference, without explanation, is not sufficient to warrant reexamination.⁴⁹ Furthermore, prior art that serves only to provide evidence of prior public use is not sufficient to warrant reexamination. The MPEP warns the examiner to carefully analyze the reference to make sure that it is not “merely used as evidence of alleged prior public use or on sale.”⁵⁰

Affidavits. Affidavits or declarations of an expert, in conjunction with a prior art patent or printed publication, may be used to determine if a substantial new question of patentability exists. Affidavits or declarations are routinely used to:

- Explain the contents of the prior art, including inherent features;
- Support the publication date of a reference;
- Address the motivation to combine references;
- Address the adequacy of the patent disclosure when seeking to break the chain of priority based on 35 U.S.C. § 112; and
- Counter any assertions of secondary considerations, such as commercial success.⁵¹

Admissions. Admissions of the patent owner, if in conjunction with a prior art patent or printed publication, may establish the basis for a substantial new question of patentability.⁵² Any admission submitted by the third-party requester may not be outside the record of the file or the court record.⁵³

D. EXAMINATION ON THE MERITS

Once reexamination is ordered, the examination on the merits is dictated by 35 U.S.C. § 305, and conducted according to the procedures established for initial examination. As explained above in II.A., the proceeding is conducted with special dispatch and, if it is an *inter partes* reexamination, no interviews are permitted.

⁴⁹ MPEP §§ 2217, 2617.

⁵⁰ MPEP §§ 2217, 2617.

⁵¹ *See, e.g.*, MPEP §§ 2205, 2258, 2616, 2617, 2660.

⁵² MPEP §§ 2217, 2617.

⁵³ MPEP §§ 2217, 2617.

An explicit intent of the reexamination procedures is “to maximize respect for the reexamined patent.”⁵⁴ Although not explained, this statement does not infer any “presumption of validity” to the patent being reexamined. In reexamination, “there is no presumption of validity and the ‘focus’ of the reexamination ‘returns essentially to that present in an initial examination.’”⁵⁵ Reexamination by definition is just that, and requires the examiner to apply the same analysis as for an original examination.

17 C.F.R. § 1.104 (2004) states:

On taking up an application for examination or a patent in a reexamination proceeding, the examiner shall make a thorough study thereof and shall make a thorough investigation of the available prior art relating to the subject matter of the claimed invention. The examination shall be complete with respect both to compliance of the application or patent under reexamination with applicable statutes and rules and to the patentability of the invention as claimed, as well as to matters of form, unless otherwise indicated.

The reexamination procedures also include the following features:

- **Examiner Assignment Policy.** “It is the policy of the Office that the SPE will assign the reexamination request to an examiner different from the examiner(s) who examined the patent application.”⁵⁶
- **Patentability Review Conferences.** A “patentability review conference” will be convened at two stages of the examination in an *ex parte* reexamination proceeding. First, just prior to issuing a final rejection; and second, just prior to issuing a Notice of Intent to Issue.⁵⁷ The conference will consist of the examiner and two other conferees chosen by the supervisory primary examiner (SPE). The purpose of the conference is explained in the MPEP: “Review of the patentability of the claims by more than one primary examiner should diminish the perception that the patent owner can disproportionately influence the examiner in charge of the proceeding. The conferences will also provide greater assurance that all matters will be addressed appropriately.”⁵⁸

⁵⁴ See, MPEP § 2209.

⁵⁵ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422 (Fed Cir. 1988), citing *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1995).

⁵⁶ See, MPEP § 2236. See also, exceptions to this general policy.

⁵⁷ See, MPEP § 2271.01.

⁵⁸ *Id.*

During reexamination, claims are “given their broadest reasonable interpretation consistent with the specification and limitations in the specification are not read into the claims.”⁵⁹

As indicated above with respect to determining the existence of a SNQ, admissions of the patent owner in the USPTO or court record as to matters affecting patentability may be utilized in a reexamination proceeding.⁶⁰

E. APPEAL

In *ex parte* reexamination, only the patent owner, not the third party requester, may appeal to the Board of Appeals and Patent Interferences, and ultimately to the Court of Appeals for the Federal Circuit, for review of the examiner’s decision.⁶¹

In *inter partes* reexamination, the third party requester also has the right to appeal to the Board and to the Federal Circuit.⁶² The third party requester may also participate in and oppose an appeal by the patent owner.⁶³

A recent article raises the interesting question of whether the Federal Circuit might reach different results on two appeals involving the same patent, one from a reexamination and the other from a district court.⁶⁴ In the proposed hypothetical, one appeal is from a reexamination in which the Office held the patent invalid, after the Office applied the evidentiary standard in which no deference need be given to the Office’s own prior work in issuing the original patent. The other appeal is from a federal court upholding the validity of the patent (presumably on the same prior art) after applying a clear and convincing evidence standard, and the presumption of validity. In the two appeal scenarios, would the Federal Circuit apply different standards of review, and reach different outcomes? Probably so. The authors suggest that in scenario one, the Federal Circuit should give deference to the an agency (PTO) decision and would likely uphold the invalidity, while in scenario two, the Federal Circuit should apply the clear and convincing standard and would likely uphold the decision of validity. They further note that no *inter partes* reexaminations have yet been ruled on by the Federal Circuit, and so this issue has yet to be addressed.⁶⁵ As a practical matter, it is likely the Federal

⁵⁹ MPEP § 2258, citing *In re Yamamoto*, 740 F.2d. 1569 (Fed. Cir. 1984).

⁶⁰ 37 C.F.R. § 1.104(c)(3) (2004).

⁶¹ 35 U.S.C. §§ 306, 141.

⁶² *Id.*

⁶³ 35 U.S.C. § 315(b).

⁶⁴ See, *Inter Partes Reexamination in the United States*, Sherry M. Knowles, Thomas E. Vanderbloemen, and Charles E. Peeler, 86 J. Pat. & Trademark Off. Soc’y 611 (2004).

⁶⁵ *Id.*

circuit would consider the full record of both proceedings in applying the standard of review for the appeal at issue.

F. POTENTIAL CHANGES THAT MAY AFFECT THE REEXAMINATION PROCESS

Both the Patent Office and Congress are proposing future statutory and rule changes that, if enacted, will affect the reexamination process.

When Congress enacted the American Inventors Protection Act of 1999, Congress required the Patent Office to submit, within five years of the enactment, a report evaluating whether *inter partes* reexamination proceedings were “inequitable to any of the parties,” and if so, “recommendations for changes.”⁶⁶ The Patent Office’s Report to Congress recommends an enhanced post-grant review process that is more comprehensive than, and different from, reexamination. It would include “closely controlled discovery and cross-examination.”⁶⁷

Along these lines, the Committee Print of The Patent Act of 2005 (HR 2795) proposes a new post grant review law in the form of an “opposition” procedure that provides a post-grant right to oppose an issued patent within 9 months after the grant.⁶⁸ The issues that may be considered in the opposition include invalidity based on double patenting and any of the requirements for patentability under sections 101, 102, 103, 112, and the fourth paragraph of section 251.⁶⁹ Requests for reexamination filed by a third party during the nine month period shall be treated as a request for opposition, and no reexamination may be ordered based on such request.⁷⁰ No such legislation has yet been enacted.

Also, the PTO recently proposed new rules directed to revisions and technical corrections affecting reexamination proceedings.⁷¹ The rules include a proposal to provide a patent owner the opportunity to reply to a request for an *ex parte* or *inter partes* reexamination prior to the examiner’s decision on the request.⁷² The Office believes the opportunity for a patent owner reply could improve the information available to the

⁶⁶ See, United States Patent and Trademark Office Report to Congress On *Inter partes* Reexamination available at http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm at 1.

⁶⁷ *Id.* at 8.

⁶⁸ See, H.R. 2795, 109th Cong. (2005), Section 9 and Appendix C.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ 71 Fed. Reg. 16072 (March 30, 2006).

⁷² *Id.*

Office in determining whether to grant reexamination, reducing the number of unnecessary reexaminations.⁷³ The American Intellectual Property Law Association (AIPLA) submitted comments in disagreement with this proposal. According to the AIPLA, “the PTO should not bias the *ex parte* proceeding in further favor of the patent owner, and should not take steps that will create additional and unnecessary burdens on the reexamination unit that are likely to further weaken the incentives for third parties to provide useful information relevant to patentability to the PTO.”⁷⁴

III. REEXAMINATION STATISTICAL ANALYSIS

A. TIMING AND RESULTS FOR *EX PARTE* AND *INTER PARTES* PROCEDURES

The Patent Office provides statistical information for both *ex parte* and *inter partes* reexaminations, reproduced in the Appendices A and B for the period through June 30, 2006. Selected information is summarized as follows:

***Ex Parte* Reexamination (Third Party Requester)**

91%	Percentage of requests for reexamination granted
29%	Percentage of reexaminations with all claims confirmed as valid
12%	Percentage of reexaminations completed with all claims canceled
59%	Percentage of reexaminations completed with claims amended
23 mos.	Average pendency from filing to certificate being issued
6-11 mos.	Recent average time delay between filing and first Office action ⁷⁵

⁷³ *Id.* at 16073.

⁷⁴ Letter to The Honorable Jon W. Dudas from Michael K. Kirk, Executive Director, American Intellectual Property Law Association, May 30, 2006.

⁷⁵ This data point is not directly reported by the Patent Office, but represents an estimate based upon the length of time to first action for the *ex parte* reexaminations filed in the April-May 2005 time frame. The range of time to first action is between 6 months and 18 months, excluding from consideration any reexaminations that have “unusual” filings, such as a patent owner statement or petitions. Over 70% of the first actions occurred in the 6-11 month time frame.

***Ex Parte* Reexamination (USPTO Commissioner Requested)**

13%	Percentage of reexaminations with all claims confirmed as valid
19%	Percentage of reexaminations completed with all claims canceled
68%	Percentage of reexaminations completed with claims amended

***Inter Partes* Reexamination⁷⁶**

93%	Percentage of requests for reexamination granted
0%*	Percentage of reexaminations with all claims confirmed as valid
100%*	Percentage of reexaminations completed with all claims canceled
0%*	Percentage of reexaminations completed with claims amended
30 mos.	Average pendency from filing to certificate being issued

* This data may not be statistically meaningful since as of June 30, 2006, only 3 *inter partes* reexaminations have resulted in issuance of a certificate.

B. LITIGATION VERSUS REEXAMINATION OUTCOMES

Litigation Statistics⁷⁷

34%	Percentage of patents where all asserted claims were ruled invalid over prior art patents and publications
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One caveat when comparing the litigation statistics to the reexamination statistics is that the patent owner is allowed to amend the claims in reexamination, but not in

⁷⁶ Per the statistical information provided by the Patent Office, as of June 30, 2006, a total of 152 *inter partes* reexaminations requests had been filed, with just 3 resulting in issuance of a certificate. As of October 10, 2006, there are 7 issued *inter partes* reexamination certificates, plus two with intent to issue.

⁷⁷ See, <http://www.patstats.org>. The data is for the years 2004, 2005, and the first quarter of 2006.

litigation.⁷⁸ With this caveat in mind, the above-listed statistics can be summarized as follows:

Chart Comparing *Ex Parte* Reexamination (Third Party Requested) To Litigation

71%	Percentage of patents in <u>reexamination</u> that resulted in a change of claim scope (claims were either amended or canceled)
59%	Percentage of patents in <u>reexamination</u> that resulted in claim amendments being made
12%	Percentage of patents in <u>reexamination</u> that resulted in all claims being cancelled
34%	Percentage of patents in <u>litigation</u> that resulted in all asserted claims ruled invalid over prior art patents and publications

It is noted that the reexamination statistics are directed to all claims, while the litigation statistics are directed only to asserted claims. Patents are likely to include some narrow claims that would not be asserted in litigation, but could survive reexamination. Also, for the patents with claims amended during reexamination, it is not known if the amended claims would still be of concern to the third party requester.

IV. REEXAMINATION COINCIDENT WITH PATENT LITIGATION

A. REEXAMINATION CAN STAY LITIGATION

Courts have discretion to stay litigation pending reexamination.”⁷⁹ In deciding whether to grant a stay pending reexamination, courts typically consider:

- (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the non-moving party,
- (2) whether a stay will simplify the issues in question and trial of the case, and

⁷⁸ Of course whether or not the amended claims have the same potential for infringement as before the reexamination is determined on a case-by-case basis. However, if the claims are amended, intervening rights may be created and additional arguments of prosecution history estoppel may have been created by the amendment.

⁷⁹ “Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988). *See also*, 35 U.S.C. § 318 (2006); once an order for *inter partes* reexamination has been issued, “the patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of the patent[.]”

(3) whether discovery is complete and whether a trial date has been set.⁸⁰

Courts weigh these factors differently and go both ways, often dictated by unique circumstances of the particular case.

Stay Not Granted

For example, recently the Eastern District of Texas Court noted that while reexamination would simplify the case if the PTO finds that all the allegedly infringing claims are cancelled, “this historically happens in only 12% of reexaminations requested by a third party. The unlikelihood of this result, which favors not staying the case, is offset by the possibility that some of the claims may change during reexamination, which favors staying the case.”⁸¹ However, the Court also noted that the possibility of claims changing in reexamination should not routinely warrant a stay, and to grant a stay on this basis “would invite parties to unilaterally derail timely patent case resolution by seeking reexamination.”⁸² In the given circumstances, the Court did not find the possibility of issue simplification sufficiently persuasive to weigh in favor of a stay.⁸³

Another case in the Eastern District of Texas denied a stay because, among other things, a stay pending reexamination would unduly prejudice the plaintiff. “Due to the inherent delay in reexamination proceedings, the opportunities for numerous appeals, and the apparent conflict between the parties, it appears likely that if a stay were granted, it could take more than four to five years before this case would be back before this Court.”⁸⁴

Stay Granted

In a different situation, the Court granted a stay even though “cognizant that a stay may cause considerable delay in a case set for trial in 2007 and sensitive to Plaintiff’s right to have its day in court.”⁸⁵ An apparently important distinction for the Court was that the defendants requested an *inter partes* (versus *ex parte*) reexamination.

⁸⁰ See, e.g., *Xerox Corp. v. 3Com Corp.*, 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999); *Motson v. Franklin Covey Co.*, 2005 U.S. Dist. LEXIS 34067 (D.N.J. 2005); *Target Therapeutics, Inc. v. Scimed Life Systems, Inc.*, 1995 WL 20470 (N.D. Cal. 1995); *GPAC, Inc. v. DWW Enterprises, Inc.*, 144 F.R.D. 60, 66 (D.N.J. 1992); *United Sweetener USA, Inc. v. Nutrasweet Co.*, 766 F. Supp. 212, 217 (D.Del. 1991).

⁸¹ *Soverain Software LLC v. Amazon.com*, 356 F. Supp.2d 660, 662 (E.D. Tex. 2005).

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *MicroUnity Systems Engineering, Inc. v. Dell, Inc. and Intel Corp.*, No. Civ. 2:04-CV-00120-TWJ (E.D. Tex. Aug. 15, 2005).

⁸⁵ *EchoStar Technologies Corp. v. TiVo, Inc. et al.*, No. Civ. 5:05-CV-81-DF-CMC (E.D. Tex. Jul. 14, 2006).

“[T]his will have a dramatic effect on future litigation.”⁸⁶ Furthermore, prejudice to the Plaintiff would be offset because “if, after reexamination, Plaintiff’s patents are again upheld, Plaintiff’s rights will only be strengthened, as the challenger’s burden of proof becomes more difficult to sustain.”⁸⁷ Significant weight was also placed on the “benefit of the PTO’s expert analysis of the prior art that allegedly invalidates or limits the claims.”⁸⁸

In connection with an *ex parte* reexamination, a unique order was recently issued by Judge Folsom in the Eastern District of Texas. There, a stay of litigation was granted in conjunction with a stipulation. To ameliorate prejudice the plaintiff, the order required the defendants to stipulate they would not challenge the validity of the patent in the litigation, so that the plaintiff would thereby be “afforded both the advantage of an *ex parte* reexamination proceeding and an estoppel effect.”⁸⁹

Other cases granting a stay pending reexamination are numerous, and involve a variety of fact scenarios.⁹⁰ In some cases, the stay is requested by joint stipulation. In other cases, the courts fashion parameters on the stay that, for example, require periodic status reports to be filed with the court; or that invite either party to move to re-open for good cause.

Below, an informal sampling is provided of recent success rates for motions to stay pending reexamination for the Northern and Central Districts of California, and the Eastern District of Texas, as example jurisdictions.⁹¹

⁸⁶ *Id.*

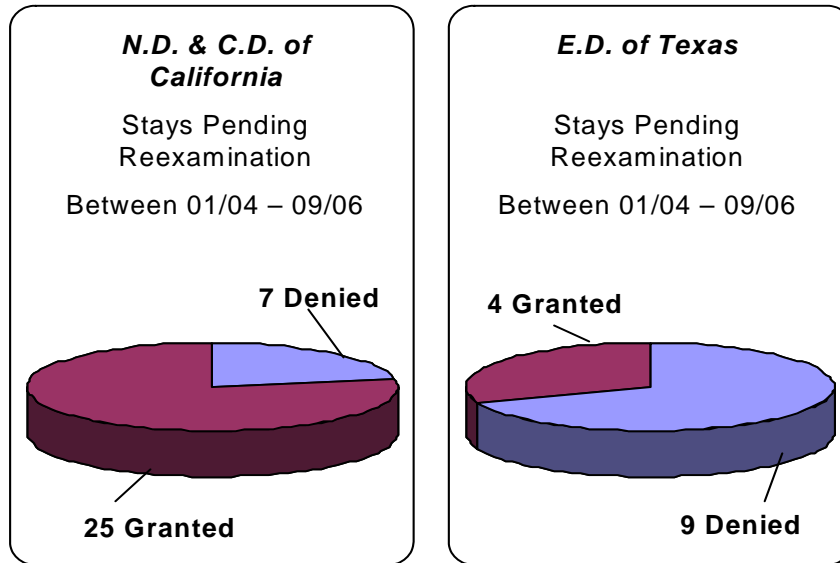
⁸⁷ *Id.*, citing *Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d. 955, 961 (Fed. Cir. 1986).

⁸⁸ *Id.*

⁸⁹ *Antor Media Corp. v. Nokia, Inc. et al.*, No. Civ. 2:05-CV-186-DF-CMC (E.D. Tex. Sep. 27 2006).

⁹⁰ See, e.g., *Motson v. Franklin Covey Co.*, No. Civ. 03-1067 (RBK), 2005 WL 3465664, at *2 (D. N.J. Dec. 16, 2005) (slip. Op. (granting stay “where discovery is complete and summary judgment has been decided”)); *3M Innovative Props. Co. v. DuPont Dow Elastomers LLC*, No. 03-3364-MJD/AJB, 2005 WL 2216317, at *3 (D. Minn. Sept. 8, 2005) (slip. Op.) (granting stay where “case is trial ready”); *United Sweetener USA, Inc. v. Nutrasweet Co.*, 766 F.Supp. 212, 217 (D.Del. 1991) (“waiting for the outcome of the PTO reexamination would be the most useful option in that it would simplify the issues and aid in preparation for trial.”); *Middleton, Inc. v. 3M*, 2004 WL 1968669 (S.D. Iowa 2004) (stay granted “after eight years of litigation and with just over two months remaining before trial.”).

⁹¹ The data is for stays pending reexamination requested from January 2004 through September 2006. It excludes cases for which no order is available, and duplicative rulings in cases brought by a plaintiff against multiple defendants.



B. REASONS TO REQUEST REEXAMINATION

There are many reasons why it may be advantageous to file an *ex parte* or *inter partes* request for reexamination by an accused infringer (either in a patent litigation, or as an alternative to a declaratory judgment action). Some of these reasons are discussed below.

To invalidate one or more claims of the patent. Reexamination provides the opportunity to invalidate the claims of a patent through a proceeding in which invalidity need only be established by a preponderance of the evidence, and applying the broadest reasonable interpretation of the claims. Successful reexamination may cause complete cancellation of the patent in view of the prior art or result in the claims being amended in such a way that they can no longer be infringed.⁹²

Some view reexamination as placing the patent owner at a procedural disadvantage, thereby increasing the likelihood of claims being cancelled. Reexamination is conducted pursuant to a compact prosecution model, a sort of “sudden death overtime” proceeding in which “the patent owner has very limited time to prepare responses to any rejections, and normally cannot introduce any new supporting evidence after the 2d Office action.”⁹³

⁹² Broadly sweeping infringement contentions are often filed in litigation by the patentee, which can be used as admissions in reexamination to establish invalidity of the claims.

⁹³ *Reexamination vs. Litigation—Making Intelligent Decisions in Challenging Patent Validity*, Paul Morgan and Bruce Stoner, 86 J. Pat. & Trademark Off. Soc’y 441 (2004).

To obtain additional prosecution history estoppel. Remarks by the patentee during reexamination may provide valuable prosecution history estoppels that significantly narrow the claim scope assertable under the doctrine of equivalence.

To obtain additional evidence for use during claim construction. Remarks constituting prosecution history estoppel during reexamination, as well as statements made by the examiner during reexamination, may be submitted as evidence for consideration by the judge in a *Markman* proceeding.⁹⁴

To obtain intervening rights. Intervening rights occur when claims have been amended during reissue or reexamination. In summary, intervening rights permit a certain level of infringement to occur without the liability of damages.⁹⁵ Intervening rights allow a party who, prior to the grant of the reexamination, made or sold anything covered by the patent claims to continue the use or sale unless doing so infringes a valid claim of the reexamined patent that was also in the original patent.⁹⁶ Also, equitable intervening rights may exist that could allow a party who, prior to the reexamination, made substantial preparations for manufacture, use, or sale of a thing covered by the patent to continue to do so, as long as it does not infringe a valid claim of the reexamined patent which was in the original patent.

Statistics compiled last year estimate that in *inter partes* reexamination, all requested claims are rejected in 74% of the cases.⁹⁷ To the extent these rejections stand and result in claim amendments or cancellations, requesters are likely to have gained intervening rights at least 74% of the time.⁹⁸

To put a “cloud” on the validity of a patent. In litigation, a patent has the presumption of validity.⁹⁹ While a pending reexamination does not remove the presumption of validity, it may be influential on the trier of fact to know that the Patent Office considers that a “substantial new question of patentability” indeed exists. The patent owner may ultimately seek to keep this fact from a jury by a motion in limine.

⁹⁴ *But see, Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 345 F.3d 1318 (Fed. Cir. 2003) in which comments made during deposition and reexamination were not influential on the *Markman* ruling.

⁹⁵ 35 U.S.C. §§ 307(b), 316(b) (2006). *See also*, MPEP §§ 2293, 2693.

⁹⁶ *Id.*

⁹⁷ *What’s Really Happening in Inter Partes Reexamination*, Joseph D. Cohen, 87 J. Pat. & Trademark Off. Soc’y 207 (2005).

⁹⁸ *Id.*

⁹⁹ 35 U.S.C. § 282 (2006).

To stay the litigation. As discussed above, reexamination can stay litigation. For an accused infringer, it may be advantageous to stay the litigation for various reasons, including promoting settlement or providing time to implement design alternatives.

The patent examiner may better appreciate the prior art. For some patents, the technology involved may be difficult to understand by a judge and jury. If an invalidity argument is strong, but the technology is relatively difficult to understand or appreciate, it may be more desirable to have the validity issues resolved by an examiner who is already considered to be technically competent.¹⁰⁰

To overturn litigation results. Reexamination, in effect, provides the defendant requester two chances to invalidate a patent (not including appeals).¹⁰¹ If a court sustains the validity of a patent over the prior art, it is still possible that in reexamination the PTO may find the patent invalid over the same or different art.¹⁰² Note, however, as discussed above, section 317(b) states that if a final decision is entered in litigation that the party did not sustain its burden of proving invalidity, an *inter partes* reexamination may not thereafter be brought by *that same party*. If the *inter partes* reexamination is already in process, it may not thereafter be maintained by the Office.

Of course, the PTO cannot change a final court determination of invalidity. A final court holding of invalidity (after all appeals) is controlling on the Office.¹⁰³

C. REASONS NOT TO REQUEST REEXAMINATION

There are many reasons militating against the filing of an *ex parte* or *inter partes* request for reexamination by an accused infringer (either in a patent litigation, or as an alternative to a declaratory action). Some of these reasons are discussed below.

Enhanced presumption of validity. Patents are presumed valid, but a strong hypothetical argument can often be made that, had the examiner seen this “new” prior art reference, the patent would not have been allowed. Reexamination effectively removes this hypothetical argument, if the reexamination examiner still allows the claims over the

¹⁰⁰ See, <http://www.uspto.gov/web/offices/ac/ahrpa/ohr/jobs/qualifications.htm>. Examiners are required to have either a technical degree or a combination of technical education and work experience in the art.

¹⁰¹ See, *Grayzel v. St. Jude Med., Inc.*, 2005 U.S. App. LEXIS 28690 (Fed Cir. Dec. 23, 2005).

¹⁰² “[T]he existence of a final court decision of claim validity in view of the same or different prior art does not necessarily mean that no new question [of patentability] is present. This is true because of the different standards of proof and claim interpretation employed by the District Courts and the Office.” MPEP § 2286 (II) (citing *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989)).

¹⁰³ “A final holding of claim invalidity or unenforceability (after all appeals), however, is controlling on the Office.” MPEP § 2286(II) (citing *Ethicon v. Quigg*, 849 F.2d 1422 (Fed Cir. 1988)).

prior art. In this case the imprimatur of the Patent Office will be extremely difficult to overcome.¹⁰⁴

A way to counter this potential result is with a multi-pronged approach in which certain references are asserted in reexamination and others are reserved for the litigation. If only *ex parte* reexaminations are being requested, then it may be desirable to limit the requests for reexamination to specific pieces of prior art, and hold other prior art for trial. This approach is not permissible where *inter partes* reexamination is involved.¹⁰⁵

Estoppel. For *inter partes* reexamination, as discussed above, the requester is “estopped from asserting at a later time, in any civil action . . . the invalidity of any claim finally determined to be valid and patentable on any ground which the third party requester raised or could have raised during the *inter partes* reexamination proceedings.”¹⁰⁶

Invalidity defenses asserted in litigation *before a final determination* of validity in reexamination should not be estopped and are maintained concurrently with, and prior to, the final closure of the *inter partes* reexamination process.¹⁰⁷

It should also be apparent that printed publications asserted in the reexamination do not estop reliance on public knowledge, public use, or on-sale bar evidence concerning the same technology in litigation. This type of evidence to support an allegation of invalidity is still available in a later-filed civil action.

One *inter partes* request only. The requester can only file one request for *inter partes* reexamination. Unless the requester can show that a prior art reference was unavailable prior to the filing of the prior request, a third party requester can only file one request for *inter partes* reexamination.¹⁰⁸ This may mean that all prior art searching and analysis must be completed before filing the request. Also, although a later filed reexamination (either *inter partes* or *ex parte*) can be combined with an earlier filed request for *ex parte* reexamination, the same is not true for an earlier filed request for *inter partes* reexamination by the same third party requester.¹⁰⁹

¹⁰⁴ See, *Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc.* 807 F.2d 955, 961 (Fed. Cir. 1986) (holding that upon reissue, the burden of proving invalidity “is made heavier.”)

¹⁰⁵ 37 C.F.R. § 1.907 (2004).

¹⁰⁶ 35 U.S.C. § 315 (2006).

¹⁰⁷ Caution is warranted in that a final determination of the reexamination process can sometimes occur relatively quickly. For example, the decision to deny a request for reexamination is “final” (subject, of course, to petition). See MPEP § 2640.

¹⁰⁸ 37 C.F.R. § 1.907 (2004).

¹⁰⁹ *Id.* Note that unlike an *ex parte* reexamination, in an *inter partes* reexamination the requester must identify the real party in interest. 35 U.S.C. § 311(b)(1) (2006).

One way to counter this result is to diligently perform searches and analysis before the filing of the request. Since multiple *ex parte* reexaminations can be filed by the same third party, it may be desirable to request an *ex parte* reexamination at first, and when the searching and analysis are completed, to then file an *inter partes* reexamination presenting different arguments. The initially filed *ex parte* reexamination(s) can be used to support various trial aspects, such as a motion to stay the litigation. The later-filed *inter partes* reexamination can then be used to allow the requester to become more involved in the reexamination process.¹¹⁰

Claim amendments. The patent owner may potentially add limitations to the claims by amendment that enhance the claim validity yet still read on the accused infringer. In reexamination, the patent owner can amend the claims to make them more narrow, thereby potentially making the claims patentable over the prior art.¹¹¹ In this case it may be possible for the patent owner to add limitations that still result in the claims covering the accused device. This provides an opportunity for the patent owner that it would not normally have in litigation.¹¹²

It is a general rule that by narrowing its scope by amendment, a claim cannot be interpreted to cover something that it did not previously cover.¹¹³ In other words, if a party did not infringe before the amendment, it will not infringe after the amendment. Therefore the requester's arguments for noninfringement in the litigation cannot get worse, but they may improve.

If the amended claims are later found to be valid and infringed, the accused infringer may have intervening rights to use existing products without payment of any type of monetary damage.¹¹⁴

Perception that examiners are inclined to allow claims. Although this perception cannot be quantified, it is prevalent and therefore should be addressed. The statistics provided above show that while it is rare that reexamination results in full cancellation of all claims, in the majority of cases the claims are initially rejected and then amended. (64% of *ex parte* reexaminations result in claim amendments; 10% result

¹¹⁰ MPEP § 2686.01. Note that when multiple reexaminations are merged by the Patent Office, the examiner can combine the separately submitted references for a single rejection. *See, In re Bass*, 314 F.3d 575 (Fed. Cir. 2002).

¹¹¹ “[T]he patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.” 35 U.S.C. §§ 305, 314(a) (2006).

¹¹² Although the patent owner can request reissue or reexamination of their own patent, it is likely that any litigation will be stayed or dismissed in response to such an action. That may not be the case if the third party is the one to request reexamination.

¹¹³ 35 U.S.C. §§ 305, 314(a) (2006).

¹¹⁴ *See, Honeywell Int'l v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1140 (Fed. Cir. 2004).

in all claims being canceled. See Appendix A.) It is noted that the increased involvement of the third party requester in *inter partes* reexamination is likely to improve these statistics once meaningful data for *inter partes* reexaminations becomes available.

No time constraints on actions after order for inter partes reexamination. *Inter partes* reexamination moves quickly at first. A decision on the reexamination order and a first Office action usually occur within three months. Thereafter, there are no time constraints on the examiner. As of June 30, 2006, a total of 152 *inter partes* reexaminations had been filed with just 3 having proceeded to certification. A goal of the Central Reexamination Unit is to handle the backlog and ensure timely management of proceedings in the future.

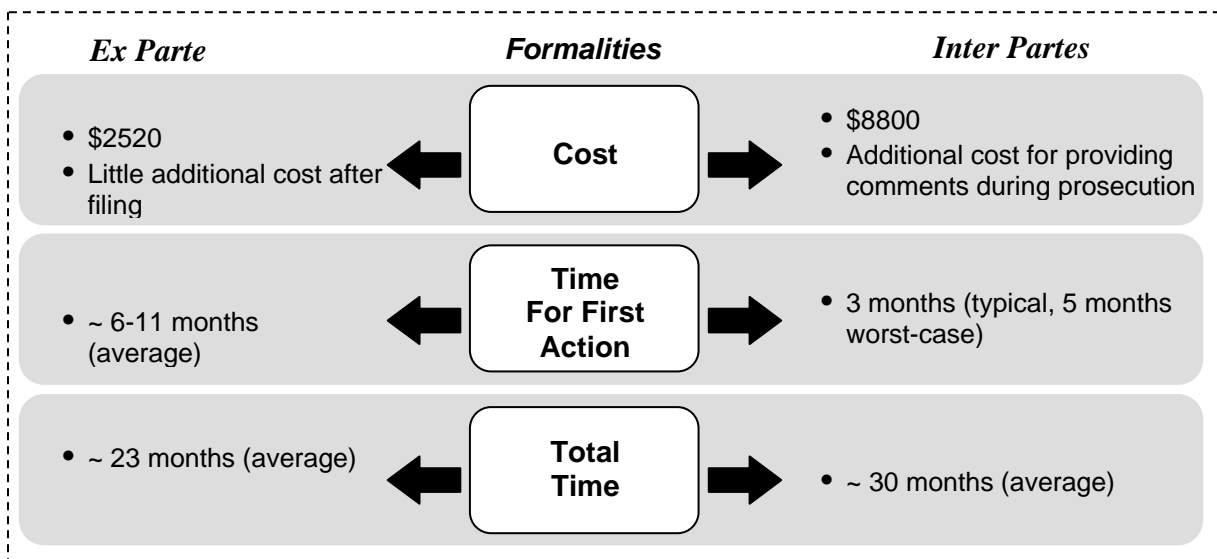
V. REEXAMINATION STRATEGIES

Reexamination in the context of patent litigation involves several key, primary considerations. First of all, a choice must be made between *ex parte* and *inter partes* reexamination. Next, a decision must be made as to when to file the request(s). Also, the request must be properly written to achieve the maximum probability of obtaining the desired results.

A. CHOOSING BETWEEN *EX PARTE* AND *INTER PARTES* REEXAMINATION

As discussed above, there are many procedural differences between *ex parte* and *inter partes* reexamination that may effectively dictate which type of reexamination should or must be used. If the patent at issue was filed after November 29, 1999, *inter partes* reexamination an available choice. The chart below provides a summary of some of the major differences between the formalities of *ex parte* and *inter partes* reexamination, with further discussion below.

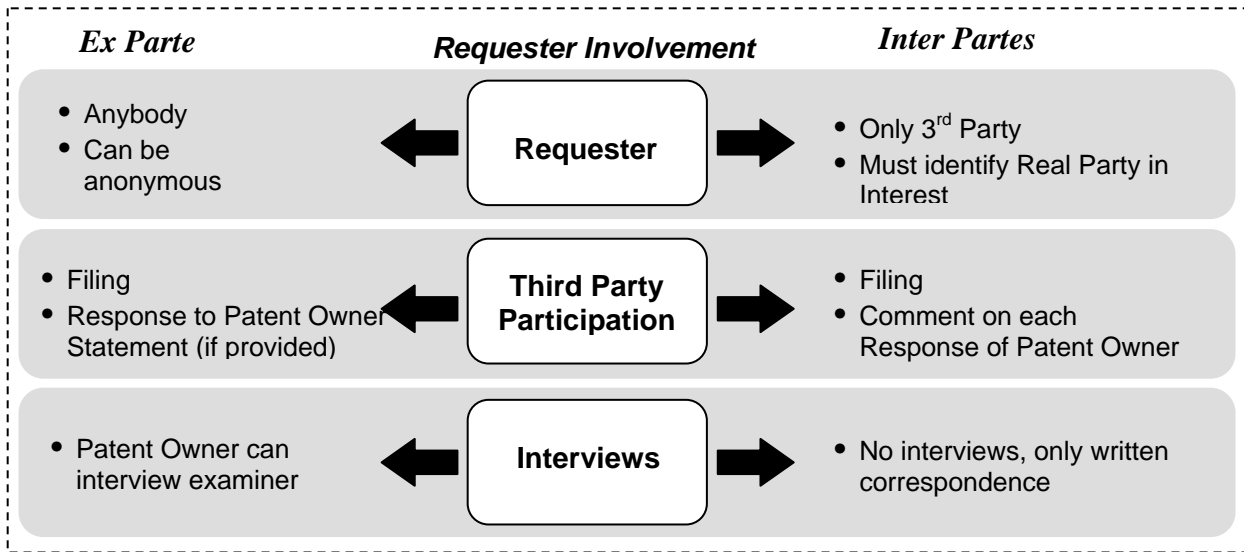
Comparison of Reexamination Procedures



Ex parte reexamination is often a preferred mechanism due to the price. The filing fee for *inter partes* reexamination is \$8800, as compared \$2520 for *ex parte* reexamination.¹¹⁵ Furthermore, *inter partes* reexamination requires continued involvement, which further increases the overall cost.

Filing an *inter partes* reexamination request is often desirable because the Office action is produced at the 90 day mark—the same time period when the grant or denial is due. In *ex parte* reexamination, the grant or denial is typically a 1-3 page document that states whether a substantially new question of patentability exists, but it does not go into a detailed examination of each and every claim. To the contrary, if the *inter partes* reexamination Office action results in one or more claims being allowed, the patent owner may decide to drop claims in the lawsuit, but for those allowed claims. Of course the requester has the opportunity to provide further remarks (but not additional prior art) to rebut the allowance of the claims, but the damage may already be done.

In addition to the formalities of costs and timing, there are additional reasons to choose between *ex parte* and *inter partes* reexamination. The chart below provides a summary of some of the major differences between the requester involvement during *ex parte* and *inter partes* reexamination, with further discussion below.

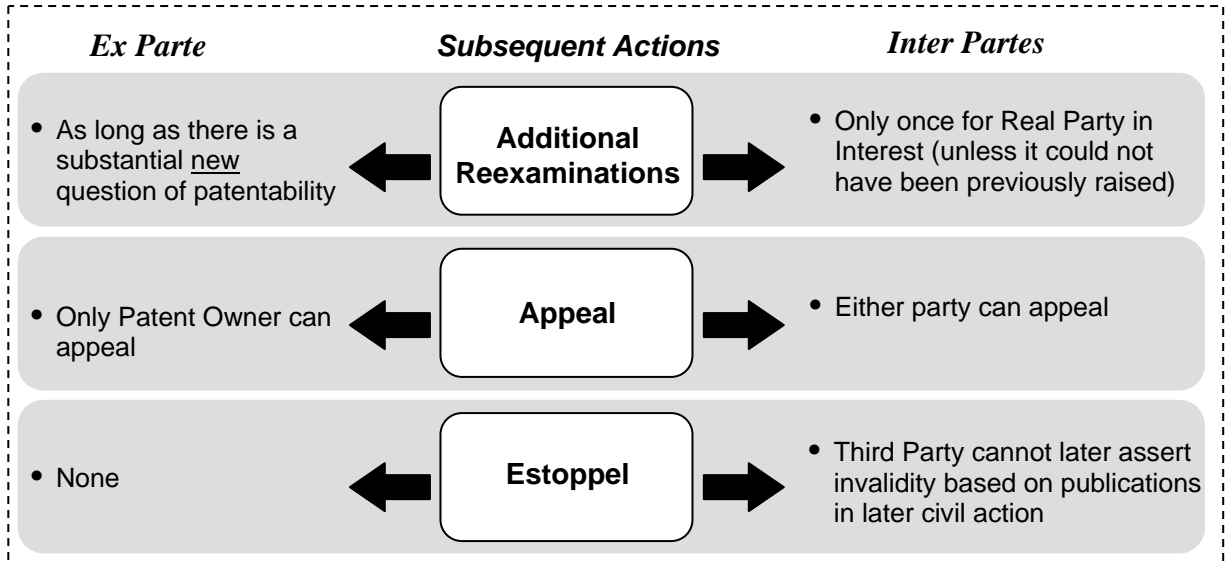


Inter partes reexamination is often a preferred mechanism due to the involvement of the third party requester throughout the reexamination and throughout appeal. This comes with a price, however, with the filing fee for *inter partes* reexamination being \$8800, as compared \$2520 for *ex parte* reexamination.¹¹⁶ It should be noted that all prior art searching and analysis needs to be effectively completed at the time of filing the request. *Inter partes* reexamination is essentially a one-shot opportunity.

¹¹⁵ 37 C.F.R. §§ 1.20(c)(1)-(2) (2004).

¹¹⁶ 37 C.F.R. §§ 1.20(c)(1)-(2) (2004).

The availability of subsequent actions, including appeals of the reexamination, is another important distinction between *ex parte* and *inter partes* reexamination. The chart below provides a summary of some of the major differences between subsequent actions available after *ex parte* and *inter partes* reexamination, with further discussion below.



If searching and/or prior art analysis has not been completed, then filing one or more requests for *ex parte* reexamination may be a good first step. An early request for reexamination may, in some instances, be sufficient to support the stay of the litigation if this is desired.

Also, the filing of an *ex parte* reexamination can be targeted to a particular issue. For example, if inequitable conduct is being asserted, filing an *ex parte* reexamination request directed to the particular prior art reference(s) that were known by the patentee, but that were not before the Patent Office, can be used to bolster the inequitable conduct allegation. Specifically, if the prior art creates a “substantially new question of patentability” such that the reexamination is granted, then it can more easily be concluded in the litigation that the prior art was indeed material.

As mentioned above, multiple *ex parte* reexaminations can be filed, with the only thing stopping the requester being that no more substantial new questions of patentability exist, or if the requester files an *inter partes* reexamination request.¹¹⁷ Therefore, it is often desirable to start filing *ex parte* reexamination requests early and often, and then finish with the filing of an *inter partes* reexamination request.

¹¹⁷ In 2004, the Patent Office put into operation a new policy whereby the same prior art may be used to start a second *ex parte* reexamination during the pendency of the first reexamination “only if the prior art cited raises a substantial new question of patentability which is different than that raised in the pending reexamination proceeding.” MPEP § 2240.

It may also be beneficial to file an *inter partes* request for reexamination on a related but unasserted patent. Consider the situation where there are two related patents – one filed before November 29, 1999, one filed after – and only the earlier filed patent is being asserted by the patent owner. The accused infringer can only file a request for *ex parte* reexamination on the asserted patent due to its filing date.¹¹⁸ However, filing a request for *inter partes* reexamination on the latter patent as well may benefit the *ex parte* reexamination. For one, there is a strong possibility that the same examiner will reexamine both patents, so that the third party can make comments that potentially apply to both reexaminations. Even if separate examiners are being used, the third party comments may still be helpful for the examiner in the other reexaminations.¹¹⁹

B. WHEN TO FILE

In the litigation context, requests for reexamination may be filed before the filing date of the lawsuit, at the beginning of the lawsuit, near the end of the lawsuit, after the lawsuit, or at multiple, staggered times throughout the litigation.

Before the lawsuit. This choice is often not available because the accused infringer may not know litigation is imminent. If a threat of infringement is enough to create a case or controversy, the filing of a request for reexamination may be considered in conjunction with the potential filing of a declaratory judgment action. In some cases, filing the reexamination may be sufficient without initiating litigation. Also, filing the request before any litigation provides a strong argument for the court to grant a stay if litigation is subsequently filed.

At the beginning of the lawsuit. This choice is often valuable in an attempt to maximize the possibility that a court will grant a stay of litigation. Also, filing early may bring about an early resolution of the dispute, or minimize the chance of injunction. However, filing a request for reexamination early means that a first Office action, or even a final resolution of the reexamination, could occur before trial. If the patent owner obtains a reexamination certificate (with claims in either original or amended form), the requester's arguments for invalidity at trial may be substantially weakened or unavailable.

Near the end of the lawsuit. Filing a request for reexamination near the end of litigation has certain advantages. For example, the request(s) can be supported by admissions of the patent owner developed during the litigation, such as may be contained in infringement contentions, proposed claim constructions, and so forth. Patent owner admissions can, by themselves, create a substantial new question of patentability.¹²⁰

¹¹⁸ 37 C.F.R. § 1.913 (2004).

¹¹⁹ The Central Reexamination Unit should facilitate communications between examiners, especially those examining related patents.

¹²⁰ 37 C.F.R. § 1.104(c)(3) (2004).

Also, the mere grant of a reexamination may be influential to the trier of fact. Furthermore, a pending reexamination may be influential in any post-trial actions, including arguing against a potential injunction. Finally, all prior art searching and analysis has probably been completed, so that an *inter partes* reexamination (if permitted) can be relatively straightforward to prepare.

After the lawsuit. Although this may not be a common time frame to file a request for reexamination, it may be beneficial depending on the prior art identified and any agreements resulting from trial. If an ongoing royalty payment is required for as long as the patent is active, a reexamination may serve to reduce these payments.

Multiple, staggered ex parte reexaminations. If time permits, it may be beneficial to file multiple reexamination requests over an extended period of time, provided such is not found to be harassment of the patent owner. In this way, each new reexamination request can address shortcomings or inadequacies that the Patent Office has ruled upon in a prior request. This allows the requester to be more involved in the entire reexamination process, because each newly filed reexamination serves as a vehicle by which the requester can attempt to address problems in a prior reexamination. Multiple reexaminations on the same patent are often merged at the discretion of the Office.¹²¹

C. HOW TO MAKE REEXAMINATION FILINGS EXAMINER-FRIENDLY

A variety of ways are suggested below to facilitate a smooth procession of the request through the various stages of examination. The request should be designed to require minimal effort on behalf of the Patent Office to verify that the request is sufficient and to grasp all of the arguments being made. The presentation should enable the examiner to readily adopt the points being advanced in the request, which also should reduce the risk of the examiner misinterpreting statements and creating a record potentially detrimental to any on-going litigation. In sum, the following drafting points seek to make the reexamination request more examiner-friendly.

Explicitly step through each statutory and rule requirement at the beginning of the request. 37 C.F.R. § 1.915 lists all of the content requirements needed for an *inter partes* reexamination request. Similarly, 37 C.F.R. § 1.510 lists all of the content requirements needed for an *ex parte* reexamination request. When a request is filed, the PTO checks the request against the appropriate rule to verify that the content requirements have been met. If so, the request will be given a filing date and provided to the appropriate examiner to determine if the request should be granted. If the content requirements are not met, a NOTICE OF FAILURE TO COMPLY WITH [EX PARTE / INTER PARTES] REEXAMINATION REQUEST FILING REQUIREMENTS will be sent, stating that the filing date has not been granted and that replacement documents or statements are required.

¹²¹ See, MPEP § 2686.01.

A recommendation for making a more examiner-friendly request is to clearly label all the sections of the appropriate CFR rule and state how the request satisfies the content requirements listed in the section. All of this should be done near the beginning of the request. The request can further state that a more detailed analysis of certain items is provided later in the request. By listing all of the content requirements clearly and at the beginning of the request, the request is more likely to obtain a filing date and more likely to proceed quickly towards examination.

Reduce the number of references to a reasonable number. For *ex parte* reexamination requests, one strategy is to provide multiple requests with a focused group of related references. For example, the references can be related to a common claim interpretation or embodiment from the patent being reexamined. The focused group of related references can make the request easier for the examiner to read and understand. Also, by having multiple requests, the examiner(s) can apply more time resources for examining the same patent (at the cost of multiple filing fees by the requester, however). There is, however, a strong likelihood that the reexaminations will be merged. Note that a requester cannot file multiple *inter partes* reexaminations, as discussed above. However, reducing and/or consolidating references are still recommended to make the request less confusing and easier to fully comprehend.

Identify pending applications and reexaminations for related patents. 37 C.F.R. § 1.565 instructs the Patent Office to merge co-pending proceedings for the *same patent* if certain time requirements are met. However, there are often instances when co-pending reexamination proceedings for *related patents* exist. In these situations, it is desirable to inform the examiner of the related reexamination so that consistent rulings can be obtained. Also, under the coordination of the Central Reexamination Unit, a supervisor at the Patent Office will distribute the reexamination requests to the appropriate examiner in an art unit, and the supervisor can consider who is working on any related examinations when distributing the request. This can result in more consistent as well as more quickly issued actions from the Office.

Identify Court filings and rulings that the examiner can consider. The Patent Office does a litigation search upon receipt of a reexamination request. However, a litigation search may not provide the exact information (or may provide too much information) for the examiner to effectively consider during the reexamination. By identifying and referencing specific filings and rulings, you increase the chance that the examiner will review and consider these items. Often, filings by the patent owner can be used by the third party requester (as admissions) to bolster a broad claim construction and increase the likelihood of a finding of invalidity.

Provide a technology summary. In hyper-technical cases a technology summary or overview may be helpful to the examiner in understanding the patent under reexamination. It is often helpful to provide annotated figures from various references, and descriptions of the state of the art around the filing date of the patent to be reexamined. Furthermore, a technology summary can be persuasively written to focus the examiner's attention on an alleged point of novelty, and then show how the prior art does indeed anticipate and/or make obvious this point of novelty.

Make the request in the form of an Office action. 37 C.F.R. § 1.510 and 1.915 require a “statement pointing out each substantial new question of patentability based on the cited patents & printed publications, and a detailed explanation of the pertinency and manner of applying the patent & printed publications to every claim for which reexamination is requested.” This requirement can be met by providing arguments in the form of an Office action. For example, the request can argue:

Claims 1-3 are obvious over reference A in view of reference B. Reference A teaches x, y, and z, as shown at pg. 12. Reference B further shows w at pg. 2. Motivation to combine references A and B exist because ...

Furthermore, by having the request in the form of an Office action, you are assisting the examiner, if he or she so chooses, to adopt your arguments as closely as possible. This can be beneficial in reducing the possibility of statements misinterpreting your positions.

Copy and annotate figures from the prior art publication into the request. Rely on quotations from the prior art reference as much as possible. As much as possible, the requester should utilize pictures and quotations from the prior art publication(s) so that there will be no question as to any potential misinterpretation or mischaracterization of terms. This can be important if the patent is in litigation, because the patent owner may try to use the requester’s comparisons with the claim language against the requester. Often complex pictures, such as circuit diagrams, can benefit from annotations such as arrows and added text. The requester should be clear as to when and how annotations are being provided.

Provide detailed claim charts for each reference. 35 U.S.C. § 301 requires that the requester explain “the pertinency and manner of applying such prior art to at least one claim of the patent[.]” The requester should not assume that only a limited analysis needs to be furnished to the examiner for appreciation of the pertinency of the reference(s). The claim charts should be provided in addition to the “statement point out each substantial new question of patentability based on prior patents and printed publications.” 37 C.F.R. § 1.510(b)(1) and § 1.915(d). Although the examiner may ultimately furnish significant independent analysis, which may include applying the reference(s) to additional claims or limitations, or crafting un-initiated rejections, the requester should not rely on such action by the examiner.

Provide alternative arguments. It is not unusual to provide alternative arguments of invalidity. For example, a requester can assert that a prior art reference meets all of the claim limitations under 35 U.S.C. § 102, and in the alternative, meets all of the claim limitations under 35 U.S.C. § 103 when combined with a second prior art reference. This is especially important when relying on inherency to satisfy a § 102 rejection. While it can be proper to provide multiple references in an anticipation argument (see MPEP 2131.01), it is advisable to provide an alternative argument that the multiple references render the claim obvious.

Provide strong motivations to combine. It is not unusual for an examiner, upon reading an argument of obviousness under 35 U.S.C. § 103, to reply that the requester has not provided a sufficient motivation to combine or modify the references being asserted. The requester should be attuned to the impropriety of hindsight in the combination of references and the importance of establishing a clear record as to the basis for a motivation to combine references, to aid the examiner. The following well-known four factual inquiries should be addressed in a determination of obviousness:

- the scope and contents of the prior art;
- the differences between the prior art and the claims in issue;
- the level of ordinary skill in the art; and
- evidence of secondary considerations.¹²²

Some of these elements may not yet be factually developed at the time of the request. For example, the requester may not have knowledge of any secondary considerations. For *inter partes* reexamination, the requester can rely on his ability to comment in response to any of the patent owner's remarks or evidence. However, in *ex parte* reexamination, the requester should consider what evidence the patent owner may introduce, and attempt to diffuse the evidence in the request. For example, the requester can point to facts showing that any evidence of commercial success of a product that implements the alleged invention is attributable to some other factors.

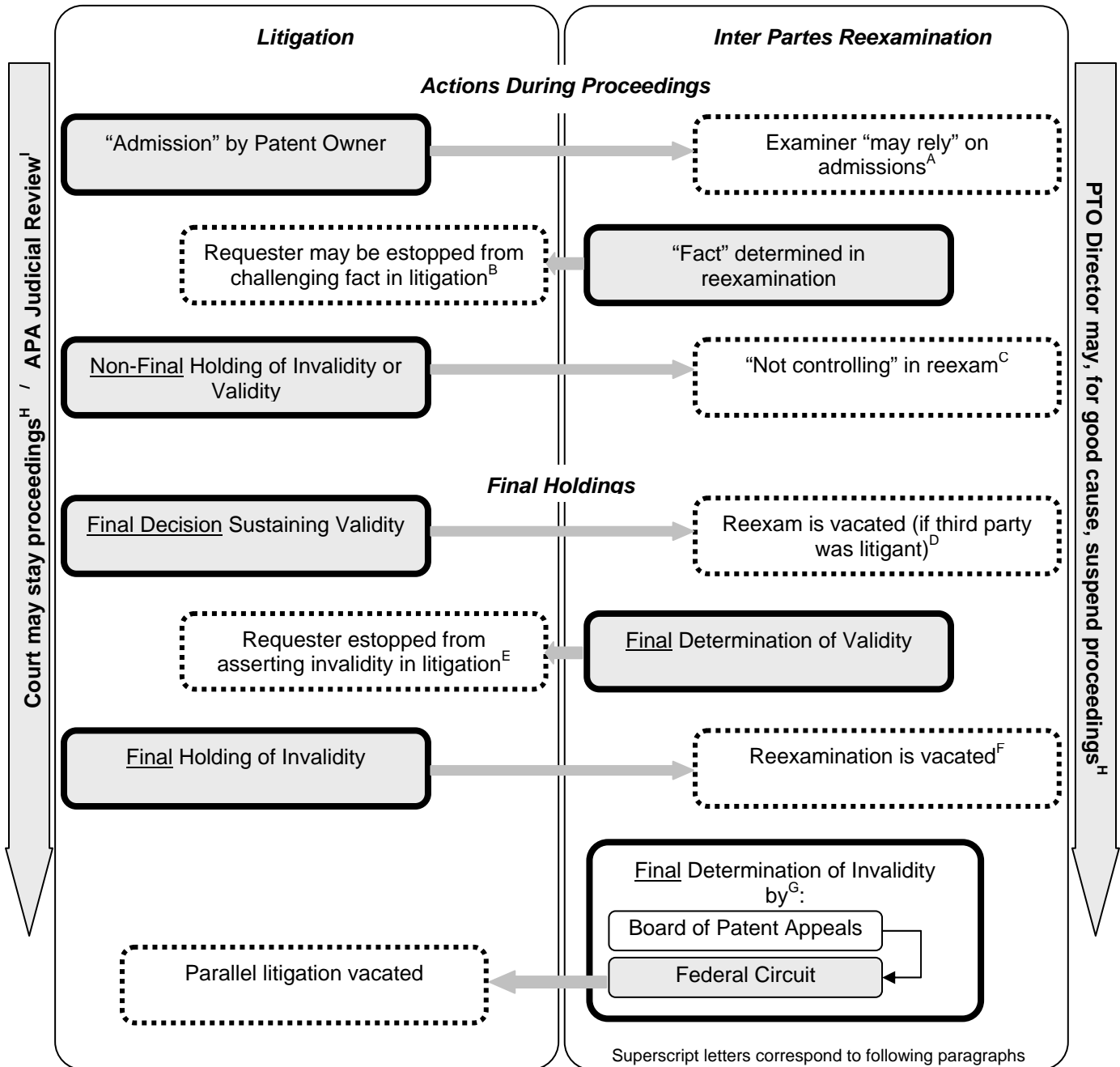
Consider including expert declarations. Expert declarations can provide helpful support for many issues arising in reexamination. Common uses include explaining the contents of the prior art, addressing inherency; supporting a publication date of a reference; addressing motivation(s) to combine reference; addressing adequacy of a patent disclosure when breaking the chain of priority based on 35 U.S.C. § 112; and countering any potential assertions of secondary considerations, such as commercial success. *See, e.g.*, MPEP §§ 2205, 2258, 2616, 2617, 2660.

¹²² MPEP § 2141, citing *Graham v. John Deere*, 383 U.S. 1 (1966).

VI. INTERPLAY WITH LITIGATION

The interplay of reexamination with litigation leads to many scenarios in which events in one venue influence the other. As the chart on the below illustrates, findings in one proceeding in some circumstances produce mandatory estoppels in, or a conclusion of, the other proceeding.

CO-PENDING LITIGATION AND *INTER PARTES* REEXAMINATION



Actions During Proceedings

A. Admissions. The examiner may rely on admissions of the patent owner that are part of the court record. “In rejecting claims the examiner may rely upon admissions by the applicant, or the patent owner in a reexamination proceeding, as to any matter affecting patentability[.]”¹²³

B. Fact Estoppel. The Intellectual Property and Communications Omnibus Reform Act of 1999 suggests the possibility of fact estoppel arising in *inter partes* reexamination. “Section 4607 estops any party who requests inter partes reexamination from challenging at a later time, in any civil action, any fact determined during the process of the inter partes reexamination[.]”¹²⁴ Because this is not codified, it may not have any effect.

C. Non-Final Court Holdings. A court’s non-final holding sustaining validity or a non-final holding of invalidity or unenforceability is not binding on the Office. “A non-final holding of claim invalidity ... will not be controlling on the question of whether a substantial new question of patentability is present.”¹²⁵

Final Holdings

D. Final Decision Sustaining Validity. Under 37 CFR § 1.907(b), an *inter partes* reexamination will not be thereafter maintained upon a “final decision” of a federal court that the party did not sustain its burden of proving invalidity.¹²⁶ However, where the person who filed the request is *not a party* to the litigation, the court decision upholding validity will have no estoppel effect on the requester in reexamination.¹²⁷

¹²³ See, 37 CFR § 1.104 (2004); MPEP § 2258(I)(F).

¹²⁴ See, House Report 106-464, § 4607 (uncodified).

¹²⁵ See, MPEP § 2686.04(II).

¹²⁶ See, *Decision Vacating Reexamination, In Re Deutsch*, Control Number 95/000,019 (Aug. 20, 2003) (“Pursuant to the final order of the U.S. District Court for the Southern District of Florida holding that the requester (defendant) has not sustained its burden of proving the invalidity of any patent claim in the ‘939 patent, the ‘019 inter partes reexamination is vacated under the provisions of 35 U.S.C. 317(b).”). See also, *In Re Mark R. Tremblay et al.*, Control Numbers 95/000,093 and 95/000,094 (November 17, 2005) denying the patent owner’s request for dismissal following final judgment upholding validity but prior to exhaustion of Federal Circuit appeal; and the corresponding opinion in *Sony Computer Entertainment America, Inc. v. Jon W. Dudas*, 2006 WL 1472462 (E.D.Va. 2006) (Statutory estoppel provisions of 35 U.S.C. § 317(b) that require dismissal of reexamination would operate after completion of the Federal Circuit appeal).

¹²⁷ See, 35 U.S.C. § 317(b) (2006); 37 CFR § 1.907(b) (2004); MPEP § 2686.04.

E. Estoppel From Asserting Invalidity. The requester may not assert at a later time in litigation the invalidity of any claim finally determined to be patentable on any ground the third party requester raised or could have raised in inter partes reexamination. Invalidity may be asserted only based upon newly discovered prior art unavailable to the requester and the Office at the time of the reexamination.¹²⁸

F. Final Court Holding of Invalidity. A final court holding of claim invalidity (after all appeals) is controlling on the Office. Where all claims are affected, the reexamination will be vacated.¹²⁹

G. Final Reexamination Determination of Invalidity. A determination in reexamination that any claim is invalid will not be controlling in a pending civil court action until all appeals to the Board of Patent Appeals and Interferences and to the Court of Appeals for the Federal Circuit are exhausted.¹³⁰ Once the time for appeal has expired or any appeal proceeding has terminated, the Director will issue and *Inter Partes* Reexamination Certificate cancelling any claim finally determined to be unpatentable, confirming any claim determined to be patentable, and incorporating any new claim determined to be patentable.¹³¹

Stay or Suspension or Judicial Review

H. Stay or Suspension. As the proceedings unfold, two general principles also apply. First, the district court has the inherent power to control its own docket, including the power to stay proceedings.¹³² Second, the PTO Director may at any time suspend an *inter partes* reexamination proceeding “for good cause.”¹³³ Accordingly, discretion exists in both venues to curtail duplicative efforts through suspension or stay of activities, to await an outcome in the other proceeding.

¹²⁸ See, 35 U.S.C. § 315(c) (2006). See also, discussion at II.B., “Res Judicata Effect of Reexamination,” *supra*.

¹²⁹ See, MPEP § 2684.04(II), citing *Ethicon v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988).

¹³⁰ 35 U.S.C. §§ 134, 141. Exhaustion of appeals to the Federal Circuit ensures that the patentee had a “full and fair chance” to litigate the validity of the patent and thereafter the patentee would be collaterally estopped from relitigating the validity of the patent. *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 333, 91 S.Ct. 1434, 1445 (1971)

¹³¹ 35 U.S.C. § 316.

¹³² *Soverain Software LLC v. Amazon.com*, 356 F.Supp.2d 660, 662 (E.D. Tex. 2005); *Landis v. North American Co.*, 299 U.S. 248, 254 (1936).

¹³³ 35 U.S.C. § 314(c) (2006).

I. Judicial Review. Additionally, a party may seek judicial review by suing the Office in a separate district court action pursuant to the Administrative Procedure Act (APA),¹³⁴ for an “unlawful agency decision.”

Case Study

*Immersion Corporation v. Sony Computer Entertainment, Inc.*¹³⁵ This case involves litigation and reexamination of patents owned by Immersion Corporation that relate to computer-controlled vibrating motors which Sony uses in its dual shock PlayStation and PlayStation 2 controllers. A Northern District of California jury awarded Immersion \$82 million in damages against Sony, after which Sony requested *inter partes* reexamination of the two litigated patents. The procedural history illustrates the relationship of proceedings among the California court (infringement), the Federal Circuit (appeal on issue of infringement), the PTO (reexamination), and the Virginia court (APA suit by Sony against the PTO for staying the reexaminations):

- The California district court issues judgment of infringement and permanent injunction for patent owner Immersion against defendant Sony, which is stayed pending appeal to the Federal Circuit. (March 2005).
- Sony files requests for *inter partes* reexamination of the patents. (May 2005).
- Sony appeals the California district court decision to the Federal Circuit. (June 2005).
- The Office issues orders granting the requests for *inter partes* reexamination. (August 2005).
- Immersion files petitions to suspend the reexamination proceedings, pending the outcome of the Federal Circuit appeal. (September 2005).
- The Director of the Office issues a decision granting Immersion’s petitions, finding “good cause” to suspend the reexaminations until the Federal Circuit reaches a decision on appeal.
- Sony brings an action in the District Court for the Eastern District of Virginia, pursuant to the Administrative Procedure Act, to obtain judicial review of the Office’s decision suspending the reexaminations. Sony argues the Office abused its discretion in suspending the proceedings, contending the Office has a legal obligation to reexamine the patents. (December 2005).

¹³⁴ 5 U.S.C. §§ 701-706.

¹³⁵ *Immersion Corporation v. Sony Computer Entertainment, Inc.*, No. C02-0710 CW, 2005 U.S. Dist. LEXIS 4781 (N.D. Cal. Mar. 24, 2005).

- The Virginia court issues a decision¹³⁶ in favor of the Office, upholding the Office's finding of "good cause" to suspend the reexaminations. (May 2006).

VII. TRIAL LAWYER'S PERSPECTIVE—A SYNOPSIS

Trial lawyers face tough calls when it comes to reexamination coincident with litigation, on both sides of the case. Key issues to consider are identified below, in summary of all of the foregoing:

- 1. Reexamination: Yes or No?** Given the facts, is reexamination likely to produce a better result than seeking invalidity in the litigation?
 - Strength of prior art (old art and new art).
 - Complexity of technology.
 - Factors favoring reexamination: provides a basis for stay of litigation; may create additional prosecution history estoppels; may create additional evidence for claim construction; may create intervening rights if claims are amended or invalidated; provides access to examiner expertise; creates an early cloud on the patent by raising a substantial new question (SNQ); provides a second bite at invalidity, if validity sustained in court (*ex parte*); third party requester participation (*inter partes*) increases fairness of the proceeding; "sudden death overtime" prosecution disadvantages the patent owner; creates a separate right of appeal to the Federal Circuit (*inter partes*). (See, IV.B., *supra*).
 - Risks weighing against reexamination: confirmed claims create an enhanced presumption of validity; may create estoppels in later litigation on facts or issues raised or that could be raised in *inter partes* reexamination; creates an opportunity for the patentee to amend claims; the potential exists for delays in the PTO; the evaluation of validity is isolated from issues of "bad" conduct. (See, IV.C., *supra*; and II.B. Third Party Estoppel, *supra*).
- 2. Reexamination By Plaintiff.** As the plaintiff, consideration should be given to whether or not the defendant might initiate reexamination and whether it might be helpful to file a preemptive reexamination.
- 3. Type of Reexamination to Choose.** Assuming both forms are available, the procedural differences between *ex parte* and *inter partes*

¹³⁶ *Sony Computer Entertainment America, Inc. v. Jon W. Dudas*, 2006 WL 1472462 (E.D.Va. May 22, 2006).

reexamination impact which may be preferable to choose. For litigation involving multiple patents, often both are used.

- Comparison of *ex parte* vs. *inter partes* and which to choose focuses on the issues of formalities, requester involvement, and subsequent actions/estoppels/appeals. (*See, V.A., supra*).
- Use of multiple, staggered *ex parte* reexaminations.
- Petitioning to merge proceedings (including *ex parte* and *inter partes*).

4. When to File Request(s). Reexaminations are requested before, at all stages during, and after litigation, for a variety of reasons. The following factors are relevant to the decision of the timing of the request(s):

- The time at which the relevant prior art becomes known.
- The time at which evidence in litigation becomes available that creates or enhances a SNQ (e.g., new prior art, admissions, claim constructions).
- Goal of preempting litigation by filing the request beforehand.
- Goal of cleansing the patent before bringing litigation.
- Goal of invalidating claims after validity has been sustained at some stage in litigation.
- Goal of establishing a basis for stay of litigation.

5. Stay of Litigation. Reexamination concurrent with litigation creates opportunities for either party to seek a stay of litigation, the grant of which depends primarily on the court's weighing of (i) prejudice to the non-movant, (ii) whether the stay will simplify the issues, and (iii) whether discovery is complete. (*See, IV.A, supra*). Issues to consider are:

- Whether to move for stay.
 - Is it likely to be granted?
 - Is it in the best interest of the movant (plaintiff or defendant)? Factors to be weighed include, e.g., economics; delay; impact on opposing party; and timing of development of facts in one proceeding useful for the other.
- Whether to oppose a motion for stay.

- Creative ways to fashion the stay order.
 - Defendant: To persuade the judge to grant it.
 - Plaintiff: To mitigate its impact when you cannot stop it.

6. Coordinating Evidence and Arguments. As both the litigation and reexamination proceedings progress, opportunities will exist to inject information arising in one proceeding into the other. For both parties, this also underscores the importance of being consistent in the way arguments and evidence in one proceeding are used in the other. And the opportunities to be seized when they are not.

- Tactical use of reexamination events in litigation. At various stages of the litigation, parties can make beneficial use of arguments presented and findings made in the reexamination, such as:
 - The existence of a SNQ.
 - Examiner's claim rejections or failure to adopt claim rejections.
 - Examiner's determination of priority date.
 - Examiner's interpretation of claims, references, and attorney arguments.
 - Inconsistencies in arguments made compared to those made in litigation.
 - Requester's explicit or implicit adoption of broad claim constructions used to support invalidity.
 - Patent owner's explicit or implicit adoption of narrow claim constructions used to refute invalidity.
- Tactical use of litigation events in reexamination. Similarly, in reexamination, parties can make beneficial use of arguments presented (admissions) and findings made in the litigation, such as:
 - Plaintiff's explicit or implicit adoption of broad claim constructions used to support infringement (e.g., such as contained in infringement contentions, *Markman* briefings, summary judgment briefings).
 - Defendant's explicit or implicit adoption of narrow claim interpretations made to support non-infringement arguments.
 - Inconsistencies in arguments made compared to those made in reexamination.
 - Court claim constructions or other rulings.
 - Issues of conduct that place the validity issues in full context for the examiner.

- 7. Finality, Suspension, Vacation, and Appeal.** A myriad of options exist to jockey the focus from one forum to another, in some situations most beneficial to the plaintiff and, in others, the defendant. (*See*, II.E., VI, *supra*).
- Non-final rulings in litigation, though potentially persuasive, are not binding on the Office. They may be brought to the attention of the examiner, as discussed above, or support a “good cause” petition to suspend the reexamination.
 - A final decision that the defendant-requester has not sustained the burden of proving invalidity triggers § 317(b) and will require the Office to vacate an inter partes reexamination.
 - A final decision of invalidity will require the Office to vacate a reexamination.
 - While a litigation appeal is pending, it may support a petition for a “good cause” suspension of reexamination.
 - Appeal of reexamination issues to the Federal Circuit foreclose finality of a dispute that might otherwise have exhausted litigation appeals to the Federal Circuit much sooner, especially where the litigation appeals are limited solely to issues of infringement.
 - Separate district court litigation may be brought against the Director for any “unlawful agency decision,” under the Administrative Procedure Act.

VIII. CONCLUSION

While reexamination is not appropriate in every case, under the right circumstances it provides substantial benefits in the assertion or defense of a patent lawsuit as part of the overall litigation strategy.

Attachments: Appendix A, Appendix B



Ex Parte Reexamination Filing Data - June 30, 2006

- 1. Total requests filed since start of ex parte reexam on 07/01/81 8084
 - a. By patent owner 3313 41%
 - b. By other member of public 4606 57%
 - c. By order of Commissioner 165 2%

- 2. Number of filings by discipline
 - a. Chemical Operation 2496 31%
 - b. Electrical Operation 2608 32%
 - c. Mechanical Operation 2980 37%

3. Annual Ex Parte Reexam Filings

Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.
1981	78 (3 mos.)	1989	243	1997	376	2005	524
1982	187	1990	297	1998	350	2006	340
1983	186	1991	307	1999	385		
1984	189	1992	392	2000	318		
1985	230	1993	359	2001	296		
1986	232	1994	379	2002	272		
1987	240	1995	392	2003	392		
1988	268	1996	418	2004	441		

- 4. Number known to be in litigation.....1895 23%
- 5. Determinations on requests 7852
 - a. No. granted7160.....91%
 - (1) By examiner 7054
 - (2) By Director (on petition) 106
 - b. No. denied692.....9%
 - (1) By examiner 657
 - (2) Order vacated 35

6.	Total examiner denials (includes denials reversed by Director)				763
	a. Patent owner requester		430		56%
	b. Third party requester		333		44%
7.	Overall reexamination pendency (Filing date to certificate issue date)				
	a. Average pendency			22.8 (mos.)	
	b. Median pendency			17.6 (mos.)	
8.	Reexam certificate claim analysis:	Owner	3rd Party	Comm'r	
		Requester	Requester	Initiated	Overall
	a. All claims confirmed	23%	29%	13%	26%
	b. All claims cancelled	7%	12%	19%	10%
	c. Claims changes	70%	59%	68%	64%
9.	Total ex parte reexamination certificates issued (1981 - present).....				5433
	a. Certificates with all claims confirmed			1410	26%
	b. Certificates with all claims canceled			554	10%
	c. Certificates with claims changes			3469	64%
10.	Reexam claim analysis - requester is patent owner or 3rd party; or Comm'r initiated.				
	a. Certificates _ PATENT OWNER REQUESTER				2360
	(1) All claims confirmed		543		23%
	(2) All claims canceled		174		7%
	(3) Claim changes		1643		70%
	b. Certificates _ 3rd PARTY REQUESTER.....				2934
	(1) All claims confirmed		849		29%
	(2) All claims canceled		353		12%
	(3) Claim changes		1732		59%
	c. Certificates _ COMM'R INITIATED REEXAM.....				139
	(1) All claims confirmed		18		13%
	(2) All claims canceled		27		19%
	(3) Claim changes		94		68%

APPENDIX A



UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov

Inter Partes Reexamination Filing Data - June 30, 2006

1. Total requests filed since start of inter partes reexam on 11/29/99 152

2. Number of filings by discipline

Table with 3 columns: Discipline (a. Chemical Operation, b. Electrical Operation, c. Mechanical Operation), Count, and Percentage (26%, 31%, 43%).

3. Annual Reexam Filings

Table with 8 columns: Fiscal Yr., No., Fiscal Yr., No., Fiscal Yr., No., Fiscal Yr., No. (years 2000-2006).

4. Number known to be in litigation.....40.....26%

5. Decisions on requests 145

Table with 3 columns: Decision type (a. No. granted, b. No. not granted), Count, and Percentage (93%, 7%). Includes sub-categories (1) By examiner, (2) By Director (on petition), (2) Reexam vacated.

6. Overall reexamination pendency (Filing date to certificate issue date)

Table with 3 columns: Pendency type (a. Average pendency, b. Median pendency), Unit (mos.), and Value (29.5, 31.2).

7. Total inter partes reexamination certificates issued (1999 - present)..... 3

Table with 3 columns: Certificate type (a. Certificates with all claims confirmed, b. Certificates with all claims canceled, c. Certificates with claims changes), Count, and Percentage (0%, 100%, 0%).