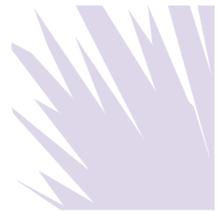


## Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations

Robert Greene Sterne, Jon E. Wright & Lori A. Gordon



---

Recommended Citation: Robert Greene Sterne, Jon E. Wright & Lori A. Gordon, *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 10 SEDONA CONF. J. 115 (2009).

Copyright 2009, The Sedona Conference  
Copyright 2009, Sterne, Kessler, Goldstein & Fox, P.L.L.C.

For this and additional publications see:

<https://thesedonaconference.org/publications>

# REEXAMINATION PRACTICE WITH CONCURRENT DISTRICT COURT LITIGATION OR SECTION 337 USITC INVESTIGATIONS

---

*Robert Greene Sterne, Jon E. Wright & Lori A. Gordon<sup>1</sup>  
Sterne Kessler Goldstein & Fox P.L.L.C.,  
Washington, DC*

## AUTHORS' NOTE

Patent reexamination was first selected as a topic for presentation at The Sedona Conference® on Patent Litigation in 2006. Over the past three years, this paper has gone through at least eight revisions as the authors address current procedure, process and cutting edge topics in reexamination practice. For those not familiar with The Sedona Conference®, its mission is to “engage in true dialogue, not debate, all in an effort to move the law forward in a reasoned and just way.”<sup>2</sup> The paper therefore subscribes to a neutral “Swiss” approach of presenting all sides of an issue and not taking sides so that the Sedona-like dialogue on the topic can ensue. Many people have provided comments and information for this article, including judges, senior officials from the PTO, patent litigators, patent prosecutors, academics, bloggers, and interested members of the public. Moreover, the authors devote substantial portions of their practices to reexaminations on behalf of both patent owners and third party requesters. However, the views expressed herein are for purposes of deep dialogue and do not necessarily reflect those of any author or contributor to The Sedona Conferences® on-going effort in legal analysis, scholarship, and improvement of U.S. patent law.

---

1 Copyright 2009 The Sedona Conference® and Sterne, Kessler, Goldstein & Fox P.L.L.C., (SKGF). All Rights Reserved. The authors thank Michael Messinger, Michael Specht, Jason Eisenberg and Pauline Pelletier of Sterne Kessler for the reexamination stay research and data gathering and analysis presented in this article. The authors note with sadness the passing of their colleague and friend Kenneth C. Bass, III after a two year fight with cancer. Ken was a leading appellate specialist and contributed greatly to previous versions of this paper. His insight and friendship will be sorely missed.

2 [http://www.thesedonaconference.org/content/tsc\\_mission/show\\_page\\_html](http://www.thesedonaconference.org/content/tsc_mission/show_page_html). The Sedona Conference® is truly unique in its approach in providing what many consider to be the most sophisticated and advanced legal dialogue on U.S. patent law.

## TABLE OF CONTENTS

I.	Introduction .....	118
II.	Hot Topics and New Developments .....	119
	A. Reexamination Pendency .....	119
	B. Litigation Stays.....	121
	C. Protective Orders .....	122
	1. Duty of disclosure in a reexamination proceeding .....	122
	2. Considerations for crafting a protective order.....	123
	3. Handling conflicting duties .....	124
	D. Substantial New Questions of Patentability .....	124
	1. The substantial new question (“SNQ”) generally .....	124
	2. In re Swanson and the SNQ.....	125
	3. KSR and the SNQ .....	126
	E. Real Party in Interest .....	127
	F. Impact of KSR on Reexamination Practice.....	128
	G. Possible Validity Challenges Other Than Patents and Printed Publications .....	130
	H. Multiple PTO Proceedings Involving the Same Patent - Reexamination with Other Reexamination, Reissue, or Interference Proceeding.....	131
	I. Appeals of Inter Partes Reexaminations to BPAI and Federal Circuit .....	132
	J. Impact of PTO and Court Decisions on Stock Price .....	133
	K. Effect of Settlement Agreements on Inter Partes Reexamination .....	134
	L. Reexaminations and Willfulness .....	135
III.	The “Parallel Universe” Examined.....	136
	A. Scope of Proceedings .....	136
	B. Standard of Review.....	136
	C. Claim Construction .....	137
	D. Decision Makers.....	137
	E. District Court v. Central Reexamination Unit .....	138
	F. Cumulative Effect.....	138
IV.	Reexamination Strategy Considerations When Litigation is Threatened or Pending .....	138
	A. Reexamination Pendency .....	138
	B. Settlement .....	140
	C. Litigation Stays.....	141
	D. Impact on Trial.....	143
	E. Damages.....	144

F.	Potential Risks for Accused Infringers.....	144
G.	Timing of Reexamination Requests – When to File? .....	145
H.	Multiple Ex Parte Reexamination Requests .....	146
I.	Additional Strategic Questions to Consider .....	147
1.	Withholding of prior art.....	147
2.	Experts’ independence .....	148
3.	Privilege issues .....	148
4.	Fast courts versus slow courts .....	149
5.	Cases with multiple defendants .....	149
6.	The judge’s perception of reexamination requests .....	150
7.	Impact on laches.....	150
8.	Duty of disclosure .....	150
V.	Basic Reexamination Practice .....	152
A.	Generally .....	152
B.	The Request and the SNQ.....	153
C.	Ex Parte Reexamination .....	154
D.	Director-Initiated Ex Parte Reexamination.....	154
E.	Inter Partes Reexamination.....	154
1.	Generally .....	154
2.	Estoppels in inter partes reexamination .....	155
F.	Mergers of Concurrent Proceedings .....	156
1.	Merger of co-pending reexaminations.....	156
2.	Merger of co-pending reissue applications and reexaminations .....	156
G.	Extensions of Time.....	157
H.	Page Limits For Inter Partes Reexamination Papers .....	158
VI.	Central Reexamination Unit (CRU) Improves Quality and Reduces Pendency.....	158
A.	Dedicated Examiners .....	158
B.	Interaction Between CRU and OPLA .....	159
C.	Practice Suggestions .....	159
D.	Recommendations That Are Circulating .....	160
1.	Extensions of time .....	160
2.	Page limit waivers .....	160
3.	Adopt an “interference-type” approach.....	161
E.	CRU Criticisms .....	161
F.	Practitioner Criticisms .....	161
VII.	Reexamination Statistics .....	162

## I. INTRODUCTION

This paper addresses the interplay between patent litigation before the Federal Courts or the United States International Trade Commission (“ITC”) (“the courts”) and co-pending reexamination proceedings involving the patent-in-suit before the United States Patent and Trademark Office (“PTO”). As independent arbiters of patent validity, each forum poses a distinct set of challenges and risks for those disputing or defending patent validity. These so-called “parallel universes” work with separate rules, standards, procedures, time lines, and results in cases involving the same patent. High-profile cases involving high-profile reexaminations and co-pending litigation include *NTP, Inc. v. Research in Motion, Ltd.*<sup>3</sup> (patents found to cover the Blackberry), *TiVo v. Echostar*,<sup>4</sup> (TiVo’s TimeWarp Patents), *Proctor & Gamble v. Kraft Foods Global, Inc.*<sup>5</sup> (patents for packing fresh coffee), and the numerous reexaminations<sup>6</sup> and litigations<sup>7</sup> surrounding U.S. Patent No. 5,253,341 for a “Remote Query Communication System.” These high-profile cases, some involving highly profitable products, have highlighted the critical interplay between the parallel universes of the Article III and Article I courts on the one hand and the PTO on the other.

Two primary factors have contributed to the increased use of reexamination as an alternate venue to challenge patent validity where district court litigation has been initiated. First, the PTO made a commitment in 2005 to make reexamination a more streamlined and viable venue for post-grant validity challenges by creating the Central Reexamination Unit (“CRU”). The CRU’s sole responsibility is handling reexaminations. The CRU’s organization and initiatives are described more fully below. But if the continued growth in the number of reexaminations filed is any indication, its formation has certainly put real teeth into a process previously perceived as pro-patent owner and plagued by delay and uncertainty.

Second, the legal landscape surrounding patent validity and reexamination has been in great flux. The Supreme Court’s 2007 decision in *KSR Int’l Co. v. Teleflex, Inc.*<sup>8</sup> dramatically changed the calculus for determining whether an invention was “obvious” and that decision alone appears to have cast serious doubt on the validity of many hundreds of thousands of issued patents. Further, Federal Circuit cases such as *In re Translogic Tech.*,<sup>9</sup> and *In re Swanson*,<sup>10</sup> dramatically impacted and illuminated the legal landscape and brought the interplay between the courts and the PTO into sharper focus.

Patent infringement defendants and patent owners alike now recognize that defending patent validity before the CRU is a serious challenge. For this reason, reexamination filings have continued their rapid growth with no sign of slowing in 2009. The impact of a potential reexamination is now commonly considered by both parties in nearly every patent litigation and ITC investigation.<sup>11</sup> For that reason, patent owners contemplating a lawsuit should have a strategy in place in case the asserted patent is put into reexamination by the accused infringer. Similarly, every patent infringement defendant should consider the benefits of reexamination as an additional, and perhaps more favorable venue to challenge patent validity. Finally, district court judges and ITC administrative law judges should be aware of how reexamination can impact their respective proceedings. For these reasons The Sedona Conference<sup>®</sup> on Patent Litigation 2009 has incorporated reexamination into its highly acclaimed patent litigation program for the fourth year in a row.

In this paper, the authors expand and reinforce many of the topics covered in past Sedona Conferences<sup>®</sup> on Patent Litigation. The authors have also updated the reexamination statistics

<sup>3</sup> *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d. 1282, 1326 (Fed. Cir. 2005).

<sup>4</sup> *TiVo Inc. v. Echostar, et al.*, 2-04cv-01 (EDTX).

<sup>5</sup> *Proctor & Gamble v. Kraft Foods Global, Inc.*, 3:08-cv-00930 and 3:07-cv-04413 (NDCA).

<sup>6</sup> 90/005,742; 90/008,972 and 90/009,381.

<sup>7</sup> *Global Patent Holdings, LLC v. Panthers BRHC LLC*, No. 9:08CV80013 (S.D.Fla. Jan 08, 2008); *Zappos.com, Inc. v. Global Patent Holdings, LLC*, No. 2:07CV01726 (D.Nev. Dec. 26, 2007); *Global Patent Holdings, LLC v. CDW Corp. et al.*, No. 1:07CV04476 (N.D.Ill. Aug. 08, 2007).

<sup>8</sup> *KSR Int’l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007).

<sup>9</sup> *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2008) (The Federal Circuit was presented with simultaneous appeal from BPAI and District Court on same patent. The Court decided the BPAI appeal first, upheld BPAI’s ruling that the patent was invalid, and vacated Translogic’s \$85 million damages award from the district court).

<sup>10</sup> *In re Swanson*, 540 F.3d. 1368 (Fed. Cir. 2008) (The Federal Circuit clarified when it is appropriate to base an SNQ on art previously considered by the Office).

<sup>11</sup> Failure to advise a client of the benefits of filing a request for reexamination of patents involved in a litigation was raised in a recent legal malpractice complaint as an instance where the conduct of a law firm “fell below the applicable standard of care.” *East Inc. v. Morrison & Foerster LLP*, CGC-09-487063.

distributed by the CRU, performed additional data collection, and have addressed how the *KSR* decision and many other recent significant legal developments are impacting reexamination practice.

This paper is organized differently from a typical journal article. In the spirit of The Sedona Conference®, **Section I** starts with hot topics and cutting edge recent legal developments in reexamination law and practice. For this version of the paper, each hot topic was selected based on those likely to be of greatest interest to judges. After all, it is the judges who largely manage the parallel universe between the courts and the PTO. This first section presumes the reader is at least somewhat familiar with the use of reexamination as a viable post-grant venue for challenging patent validity. In **Section II**, we describe in more detail the “parallel universes” of the courts and the PTO. These two tribunals are substantively different in both scope and standard of review. Understanding the differences is vital to any strategic reexamination decision making. In **Section III** we present advanced reexamination strategy considerations where federal court or ITC litigation is threatened or pending. Again, this section presumes some basic knowledge of reexamination practice. We discuss timing of reexamination requests, the risk versus reward calculus, general reexamination tenets, and other, often overlooked considerations. **Section IV** is a concise discussion of certain important aspects of basic reexamination practice. Therein, we discuss what is required to institute a reexamination, common pitfalls, the differences between *ex parte* and *inter partes* reexaminations, and other concerns. Readers not familiar with basic reexamination practice should review this section first. **Section V** provides a brief overview of the PTO’s Central Reexamination Unit, the current issues it faces, and recent initiatives to improve its core processes. We end with **Section VI**, which is a presentation and discussion of the most recent reexamination statistics, from both the CRU and our own independent data collection and analysis.

## II. HOT TOPICS AND NEW DEVELOPMENTS

The marked increase in the use of reexamination has naturally caused more frequent and closer evaluation of its unique procedures by involved parties and the courts. In short, reexamination and its satellite issues (such as litigation stays) remain among the faster developing areas of intellectual property law. Indeed, in the words of top PTO officials, it is still a “work in progress.” We have identified a number of hot topics that are currently confronting parties finding themselves in a “parallel universe.” These hot topics, were selected and are discussed with special attention to the perspective of the judges who are tasked with managing the interfaces between the parallel universes. Our hot topics include:

- (A) Reexamination Pendency,
- (B) Litigation Stays,
- (C) Protective Orders,
- (D) Substantial New Questions of Patentability,
- (E) Real Party in Interest,
- (F) Impact of *KSR*,
- (G) Possible Defenses Other Than Patents and Printed Publications,
- (H) Multiple PTO Proceedings,
- (I) Appeals of *Inter Partes* Reexaminations to the BPAI and the Federal Circuit,
- (J) Impact of PTO and Court Decisions on Stock Price,
- (K) Effect of Settlement Agreements on *Inter Partes* Reexamination, and
- (L) Reexaminations and Willfulness.

Some of these hot topics are further discussed throughout this paper.

### ***A. Reexamination Pendency***

Reexamination pendency is a perennial hot topic for a number of reasons. First, for reexamination to be an effective post-grant venue for challenging patent validity, it must be concluded in a timely and efficient manner—*i.e.*, with the “special dispatch” required by statute. To avoid prejudice, however, the PTO must nonetheless act in a deliberate and fair manner by giving the patent owner a full opportunity to defend the patentability of its claims. Second, reexamination pendency is

an important factor weighed by the courts when deciding whether to stay concurrent litigation. Third, predictable reexamination timetables are enormously helpful to both third-party requesters and patent owners when they work reexamination strategies into dynamic district court litigation and ITC investigation timetables. In short, uncertainty in pendency of a reexamination proceeding diminishes the fairness and effectiveness of reexamination and litigation for all involved parties.

By statutory mandate, all reexaminations are to be handled with “special dispatch.”<sup>12</sup> Nonetheless, the CRU does prioritize pending reexaminations. For instance, higher priority is afforded to reexaminations of patents involved in litigation. Even higher priority is afforded when trial proceedings have been stayed pending the outcome of reexamination. Further, if there is a concurrent litigation and the reexamination proceeding has been pending for more than one year, the PTO may further expedite a reexamination proceeding by setting a one-month or thirty day period for responses to Office Actions.<sup>13</sup> Litigation notwithstanding, the highest priority is assigned reexaminations that have been pending for two or more years.

The rules require patent owners to notify the PTO of prior or concurrent proceedings<sup>14</sup> and the CRU has dedicated paralegals that search litigation databases for case status periodically during the pendency of the reexamination proceeding. The CRU thus assigns priority based on its own statistics and research, and based on patent owner notifications. However, it is still critical for the parties to keep the PTO informed of the existence and status of related co-pending district court or ITC proceedings.

Pendency at the CRU has been the subject of much previous analysis and discussion. Overall, the CRU has established an internal goal to issue a final office action or an Action Closing Prosecution within two years of the filing date of a request for reexamination. As the CRU works through its backlog, this goal is becoming more and more realistic. We provide in Section IV.A. some additional insight into internal PTO and CRU procedures to help decision makers identify potential bottlenecks and determining realistic reexamination timelines.

The issue currently gaining the most attention with respect to reexamination pendency is the rapidly growing backlog at the Board of Patent Appeals and Interferences (“BPAI” or “Board”), which takes appeals from the CRU in much the same way it does for regular prosecution. The recently released numbers for May 2009 are sobering. For all appealed cases (including those from the CRU), there were 9809 pending appeals at the beginning of May 2009.<sup>15</sup> By the end of May 2009 that number had grown to 10,927 with over 1600 new appeals filed. Over that same time period, the Board disposed of only 523 cases. Assuming the Board can dispose of about 520 appeals a month, it would take the Board 22 months just to work through its pending cases, assuming no further requests are filed. But if the activity in May is any indication of the future, the Board is facing a nearly insurmountable hurdle. Other commentators have noted a nearly exponential increase since mid-2005.<sup>16</sup>

One possible reason for the increase may be additional appeals due to increased obviousness rejections in view of the *KSR* decision. Looking to the future, if the proposed PTO rules limiting continuations and requests for continued examinations are allowed to go into effect, appeals to the BPAI will likely increase far beyond the current numbers. If enacted, proposed legislation including additional post-grant patent review options will further exacerbate the BPAI backlog.

From the most recent statistics, it appears that the BPAI bottleneck is growing with little relief in sight. It is unclear, however, how or whether the statutory mandate for “special dispatch” will factor into the BPAI’s prioritization of cases. Will reexaminations be shunted to the head of the line

---

12 35 U.S.C. Sections 305 and 314.

13 MPEP Sections 2263 and 2663(L).

14 37 C.F.R. Sections 1.565 and 1.985.

15 See <http://www.uspto.gov/web/offices/dcom/bpai/docs/receipts/fy2009.htm>.

16 See Dennis Crouch’s chart on the PatentlyO blog at: <http://www.patentlyo.com/patent/2009/06/timeline-of-the-bpai-backlog.html>.

over cases from regular prosecution? Will the Board establish a separate team of ALJs to expeditiously handle cases from the CRU? These issues are coming to a head and the authors are hopeful that the new PTO leadership will address these serious issues.

### ***B. Litigation Stays***

Litigation stays and reexamination pendency are closely linked. Pendency is, or at least should be, a factor in practically every stay decision. If a district court judge can have reasonable confidence in a reexamination timeline, it can simplify the stay calculus. For instance, if reexamination pendency is completely uncertain, or if the time to final decision extends years past an expected trial date, then stays become less likely as they severely prejudice the patent owner. Conversely, if the reexamination is certain to conclude shortly, substantial resources may be saved by issuing a stay.

Once a district court judge is reasonably comfortable with the reexamination timeline, then a number of other factors come into play. Judge Selna in the Central District of California has authored a number of nuanced stay decisions, including *Allergan Inc. v. Cayman Chem. Co.*<sup>17</sup> Noting that “the totality of the circumstances governs,” Judge Selna listed the following positive factors supporting the grant of a stay:

1. Prior art presented to the Court will have been considered by the PTO, with its particular expertise.
2. Discovery problems relating to prior art can be alleviated by the PTO examination.
3. If the PTO invalidates the patent-in-suit, the case will likely be dismissed.
4. The outcome of reexamination may encourage settlement.
5. The record of reexamination will likely be entered at trial, thereby reducing the complexity and length of the litigation.
6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination.
7. The cost will likely be reduced for both the parties and the court.

Judge Selna also noted the following negative factors that would support denial of a stay:<sup>18</sup>

1. Delay and changing market conditions over time may dramatically lower the value of injunctive relief.
2. Substantial expense and time invested may be wasted when litigating issues also under reexamination.
3. A delay may grant a tactical advantage to the moving party.
4. The reexamination outcome might not affect the civil litigation.

---

<sup>17</sup> *Allergan Inc. v. Cayman Chem. Co.*, SACV 07-01316-JVS (Order dated April 9, 2009).

<sup>18</sup> *Id.*

In *Allergan*, Judge Selna denied the stay primarily because the parties were competitors, and “the PTO might not conclude its reexamination for several years, and that this delay would prejudice Allergan’s rights to exclusive use of its patented technology and would cause it irreparable harm.”<sup>19</sup>

In a recent development, execution of judgment may be stayed based at least in part on reexamination proceedings. For example, the Federal Circuit recently granted an emergency request to stay enforcement of ITC cease-and-desist and exclusion orders. In this case, on November 15, 2007, the ITC had instituted an investigation based on a complaint by Funai Electric Co., Ltd. that several respondents were infringing its digital television patents.<sup>20</sup> Within weeks, an *ex parte* request for reexamination was filed. In late 2008, the ALJ issued an Initial Determination finding infringement of one of the patents. The ITC then issued a Final Determination finding infringement and issued exclusion and cease and desist orders on April 10, 2009.

On March 11, 2009 the CRU issued a Final Office Action rejecting all of the claims in the patent at issue.<sup>21</sup> Based in part on that final action, the respondents asked the ITC to stay enforcement of its orders. At the same time, the respondents also filed a request that the Federal Circuit stay the ITC’s order pending appeal. According to a recent press release on one of the respondents’ websites, the Federal Circuit has granted the emergency request.<sup>22</sup>

While not the final word on the issue of a stay, the Federal Circuit’s order is nevertheless significant. It suggests that a Final Office Action in a reexamination may be used as a basis for staying an ITC exclusion order even though the patent owner has not exhausted the right to appeal through the Board and much less the Federal Circuit.

The cynical view is that there are a sufficient number of factors involved to support either granting or denying at least a temporary stay in any given case. Because stay decisions are reviewed under an abuse of discretion standard, district court judges have almost unfettered authority. Nonetheless, more nuanced stay decisions are becoming the norm as ever more authority is developed on this issue. Practitioners and judges alike should be aware of all the nuanced factors that are in play. Reexamination stays are discussed more fully below in section IV.C.

### C. Protective Orders

The interplay between the duty of disclosure in a reexamination proceeding and a protective order in a concurrent litigation is a critical issue facing not just the patent owner, but also the third party requester (who is often the defendant in the concurrent litigation), the PTO and the courts. How should parties craft a Protective Order in a concurrent district court litigation or ITC investigation to prepare for a possible reexamination proceeding at the PTO? Is it possible for a patent owner to satisfy its duty of disclosure while adhering to the guidelines of a protective order? What limitations does a protective order place on the resources available to a patent owner to prosecute the reexamination proceeding?

#### 1. Duty of Disclosure in a Reexamination Proceeding

In a reexamination proceeding, each individual associated with the patent owner has a duty of candor and good faith in dealing with the PTO. The duty of candor includes a duty to disclose to the PTO all information known to that individual to be material to patentability in a reexamination proceeding.<sup>23</sup> Individuals who have a duty to disclose to the PTO all information known to be material to patentability in a reexamination proceeding, “[T]he patent owner, each attorney or agent who represents the patent owner, and every other individual who is substantively involved in a reexamination proceeding” is bound by the duty of candor.<sup>24</sup>

<sup>19</sup> *Id.*

<sup>20</sup> In the Matter of CERTAIN DIGITAL TELEVISION PRODUCTS AND CERTAIN PRODUCES CONTAINING SAME AND METHODS OF USING SAME, ITC Investigation No. 337-TA-617.

<sup>21</sup> See Reexamination Control Nos. 90/010,075 and 90/008,828.

<sup>22</sup> See <http://www.vizio.com/about.aspx?cid=3496&cid=1318>.

<sup>23</sup> 37 C.F.R. Sections 1.555(a) and 1.933(a).

<sup>24</sup> 37 C.F.R. Sections 1.555(a) and 1.933(b).

Some practitioners argue that the scope of the duty of disclosure in 37 C.F.R. Section 1.555 is ambiguous. Are all employees of the patent owner as well as every attorney or agent that represent the patent owner subject to the duty of disclosure regardless of their involvement in prosecution activities? For example, are litigation counsel covered by the duty of disclosure? Are retained experts?

Several district courts have limited the scope of the duty of disclosure to only those attorneys or agents substantively involved in preparation or prosecution. In *Intelli-Check v. Tricom Card Techs., Inc.*<sup>25</sup> the district court for District of New Jersey subscribed a duty of candor on each named inventor, prosecuting attorney, and other individual who is substantively involved in the preparation or prosecution of the patent application. Similarly, Judge Spencer in the Eastern District of Virginia found that a “party is only bound by the duty of candor, and therefore can only be penalized for failure to disclose material information, **if they are substantively involved in the preparation and prosecution of the patent application.**”<sup>26</sup>

Therefore, a key question facing a patent owner is who can be called upon to prosecute and/or consult on strategy for the reexamination proceeding or the prosecution of other pending applications. To what extent may the patent owner’s trial team participate in prosecution of its pending patent applications, reexaminations, reissues, or interferences using information derived from the litigation? To what extent may the accused infringer’s trial team participate in prosecution of their own patent applications in the same subject matter as the patents in suit, in reexaminations of the patent owner’s patents, or in interferences involving the patent owner? Many litigation attorneys take a conservative approach to this issue and strictly avoid any involvement or discussions related to the prosecution of pending applications or reexaminations. Other litigation attorneys take a less conservative approach and participate in consultation on specific reexamination issues.

Additionally, a patent owner also must consider to what extent their reexamination expert may be considered to be “substantively involved in the preparation or prosecution of the patent application.” This consideration may influence whether a patent owner utilizes that same expert for the litigation as in the reexamination proceeding.

## ***2. Considerations for Crafting a Protective Order***

When crafting a protective order for district court litigation or ITC investigations, the parties must consider the possibility of a reexamination being filed when crafting the protective order for the litigation. For example, the parties may establish procedures to allow the filing of materials obtained during discovery that are subject to a protective order in the PTO reexamination proceeding. Absent sufficient procedures, a patent owner may be barred by the protective order from presenting materials to support patentability (*e.g.*, evidence of secondary considerations of nonobviousness) to the PTO. Similarly, the third party requester may be barred from submitting evidence supporting its obviousness position to the PTO.

Another important consideration is a prosecution bar. As a general matter, no party having access to another party’s highly confidential technical information under a protective order should be allowed to amend or supervise the amendment of pending claims in applications or claims under reexamination in the same technical space, nor should they be allowed to draft new claims.<sup>27</sup> In-depth knowledge of a competitor’s highly confidential technical information, combined with the ability to amend or draft claims, may convey a dangerously unfair advantage to the claim drafter. This applies equally to patent infringement plaintiffs and defendants, and applies equally whether the highly confidential information is received from an adversary or a party with temporarily aligned interests such as a co-defendant.

25 2005 U.S. Dist. LEXIS 38794 at \*14 (D. N.J. Nov. 10, 2005).

26 Memorandum Order, March 31, 2009, in *TeleCommunication Systems, Inc. v. Mobile 365, Inc.*, C.A. No. 3:06CV485, p. 8 (emphasis added).

27 The protective order should explicitly and separately address applications and reexaminations. A reexamination is not an “application” and if the order simply addresses “applications,” then reexaminations would not expressly be covered.

Unresolved questions remain regarding the interplay between non-prosecution clauses in a protective order and a patent owner's duty of disclosure under 37 C.F.R. Sections 1.555 and 1.933. We expect significant developments in this area in the next year as the Office of Patent and Legal Administration ("OPLA") and the courts wrestle with this issue.

### 3. *Handling Conflicting Duties*

In a concurrent litigation, a patent owner may be faced with the circumstance in which it has the duty to disclose materials to the PTO under the duty of disclosure but has a conflicting duty to maintain the confidentiality of these materials under the protective order. How does a patent owner handle these conflicting duties?

Several practitioners have argued that the duty of disclosure to the PTO takes precedence over a protective order of a district court. Judge Spencer of the Eastern District of Virginia addressed the issue of whether the PTO's duty of disclosure over-rides the protective order of a district court such that the party does not have to obtain authorization to file materials subject to the protective order in the PTO.<sup>28</sup> Judge Spencer found that there was "no evidence – legal or logical – to support" the patent owner's (plaintiff's) contention that the Protective Order is overridden in its entirety by the PTO's disclosure requirements. A patent owner must therefore carefully consider the provisions of the district court's protective order before submitting materials covered by the protective order to the PTO.

In sum, both parties must consider the possibility of concurrent reexamination and must pay close attention to the protective order. Patent owners must understand their disclosure obligations under the reexamination rules. Patent owners should also consider carefully the duties and restrictions imposed upon them by receipt of such confidential or classified information. Accused infringers likewise need to be concerned about the impact of disclosing highly confidential technical information to other parties capable of drafting and amending patent claims.

### D. *Substantial New Questions of Patentability*

Fundamental to every reexamination request is the substantial new question of patentability or the SNQ. The SNQ is the touchstone of patent reexamination and every reexamination request—both *inter partes* and *ex parte*—must include at least one SNQ. The purpose of the SNQ requirement is to create a threshold for reexamination to prevent serial reexamination proceedings on the same references, and to prevent harassment of the patent owner.<sup>29</sup> The SNQ requirement was included in the original 1980 *ex parte* reexamination statute as "a balance between curing allegedly defective patents [via reexamination] and preventing harassment of patentees."<sup>30</sup> While it may sound relatively simple, presentation of an SNQ is more subtle than many practitioners realize. This section presents an overview of the SNQ. It then discusses the impact of two recent court decisions on the SNQ. This section remains a "Hot Topic" because it is an often misunderstood area of reexamination practice that is ripe for litigation—*e.g.*, where the parties challenge the existence of an SNQ in a reexamination request through the Administrative Procedures Act or through appeal to the Federal Circuit.

#### 1. *The substantial new question ("SNQ") generally*

Both the *ex parte* and *inter partes* statute require that a request for reexamination include at least one new substantial new question of patentability ("SNQ")<sup>31</sup>. The legislative history of the *ex parte* reexamination statute describes the SNQ as new, non-cumulative information about preexisting technology that may have escaped review at the time of the original examination of the patent

<sup>28</sup> Memorandum Order, March 31, 2009, *TeleCommunication Systems, Inc. v. Mobile 365, Inc.*, C.A. No. 3:06CV485, p. 9.

<sup>29</sup> H.R. Rep. No. 96-1307 (1980).

<sup>30</sup> H.R. Rep. No. 107-120, at 1; see also *In re Recreative Technologies*, 83 F.3d 1394, 1397 (Fed. Cir. 1996).

<sup>31</sup> 35 U.S.C. Sections 303 and 312.

application and in subsequent reexaminations of the patent, if they have been any. The SNQ could therefore be more aptly named a “substantial new technical teaching.” The establishment of an SNQ has tripped up many practitioners. It is not enough for a reference to be “new,” the reference must also be non-cumulative to the technological teachings previously considered by the PTO during prosecution. Therefore, even a newly discovered reference may not raise a SNQ if the reference merely is cumulative to similar prior art already fully considered by the PTO in a previous examination (and previous reexaminations).<sup>32</sup> This is an important point when determining whether to file a reexamination request or what references to use.

The CRU rejects many reexamination requests on first filing for failure to clearly point out an SNQ. Specifically, the authors note a perceived increase in the number of reexamination requests that are receiving Notice of Incomplete Reexamination Request or requests being denied because the requester has failed to establish the reference used as a basis for an SNQ is “non-cumulative.”

Further, there is a common but fundamental misunderstanding by many as to the difference between an SNQ and a proposed ground of rejection. A reexamination request must include both at least one SNQ in addition to a detailed explanation of the pertinency and manner of applying the cited prior art to every claim for which reexamination is requested (the ground of rejection).<sup>33</sup> An SNQ is therefore separate and distinct from the proposed ground of rejection (a “*prima facie*” case of unpatentability).

Additionally, not all previously considered references (“old art”) are ineligible to support an SNQ. Old art previously considered in original or prior prosecution may be used to support an SNQ if shown in a new light. Second, previously unconsidered art may not provide *de facto* support for an SNQ if it is merely cumulative to art already considered by the Office. We discuss new light for old art in the following section.

## 2. In re Swanson and the SNQ

The Federal Circuit in *In re Swanson*<sup>34</sup> recently clarified what it takes to support an SNQ where a reference was previously used to reject the claims in original prosecution. The *ex parte* reexamination statute sets forth the universe of references that can be used to raise a SNQ.<sup>35</sup> In addition to a newly discovered reference, a previously applied reference can raise a SNQ if the previously applied reference is presented in a “new light”. Section 303(a) makes this explicit — “[t]he 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 PTO or considered by the PTO.”<sup>36</sup> *In re Swanson* provides some guidance on what constitutes a “new light” for old art. For example, an SNQ based on previously applied art could arise because the examiner in the original examination misunderstood the actual technical teaching, because the examiner failed to consider a portion of the reference that contained the now cited teaching, or because the examiner applied the reference to a different limitation or claim than the reference is currently being applied.

But a reference does not raise an SNQ if the examiner in the original examination understood the actual technical teaching, but got it “wrong” in the rejection. This is a subtle but critical distinction.

32 MPEP Section 2242.

33 37 C.F.R. Sections 1.510(b) and 1.915(b).

34 *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008).

35 35 U.S.C. Section 303(a) (patents and printed publications).

36 This sentence was added in the 2002 amendment to 35 U.S.C. Section 303 to specifically address *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997). In *Portola*, the Federal Circuit “interpreted the statutory intent [of the *ex parte* reexamination statutes] as precluding reexamination based on ‘prior art previously considered by the PTO in relation to the same or broader claims.’” *In re Swanson*, p. 11 (citing *Portola*, 110 F.3d at 791). Congress explained that the amendment to 35 U.S.C. Section 303(a) “overturns the holding of *In re Portola Packaging, Inc.*, a 1997 Federal court decision imposing an overly strict limit that reaches beyond the text of the Patent Act.” H.R. Rep. No. 107-120, at 2.

### 3. KSR and the SNQ

A further unsettled issue for many practitioners is the impact of *KSR* on reexamination practice. Did *KSR* open the door to reexamination challenges based on prior art overcome during original prosecution by arguing lack of teaching, suggestion, or motivation to combine?<sup>37</sup> The PTO pondered this critical issue for over sixteen months and then addressed this question explicitly in Rev. 7 of the M.P.E.P. (Manual of Patent Examining Procedure or MPEP), which became publicly available in August 2008. The MPEP now states:

The clarification of the legal standard for determining obviousness under 35 U.S.C. Section 103 in *KSR International Co. v. Teleflex Inc.* (KSR), 550 U.S. 550, 82 USPQ2d 1385 (2007) does not alter the legal standard for determining whether a substantial new question of patentability exists. The requirement for a substantial new question of patentability remains in place even if it is clear from the record of a patent for which reexamination is requested that the patent was granted because the Office did not show “motivation” to combine, or otherwise satisfy the teaching, suggestion, or motivation (TSM) test. Thus, a reexamination request relying on previously applied prior art that asks the Office to look at the art again based solely on the Supreme Court’s clarification of the legal standard for determining obviousness under 35 U.S.C. Section 103 in *KSR*, without presenting the art in new light or different way, will not raise a substantial new question of patentability as to the patent claims, and reexamination will not be ordered.<sup>38</sup>

Following that amendment to the MPEP, the Federal Circuit issued its decision in *In re Swanson* on September 4, 2008. The *In re Swanson* decision did not address the impact of *KSR* on the determination of whether references raise an SNQ. The issue therefore remains unsettled.

*KSR* states that patent examiners, as well as the courts, can review the factual predicates underlying the obviousness calculus and reach the ultimate legal conclusion whether the subject matter is obvious.<sup>39</sup> Thus, it makes logical sense that it would be of great interest to the reexamination examiners to know what a person of ordinary skill in the art would have known at the time of filing of the original application for which reexamination is requested. The third party requester is advised to consider providing a description of what the POSITA would have known preferably in the reexamination request (or less preferably in a later response to an office action). This POSITA technical description can be presented in a separate section of the reexamination request, but regardless of how it is provided, it is necessary that the SNQ basis be set forth for each technical reference referred to in this technical description and that each of these SNQs be used in a least one proposed rejection. What is believed to be the first reexamination request that employed such a POSITA technical description is found in *Inter Partes* Reexamination Control No. 95/000,353 (“the ‘353 request”).

37 When *KSR* was decided at the end of April 2007, the PTO feared an avalanche of reexaminations based solely on an argument that the obviousness standard applied in the original prosecution had been relaxed. This argument was advanced by the Third Party Requester in *Ex Parte* Reexamination Control No. 90/008,949. In this request, the Third Party Requester argued that the Supreme Court’s decision in *KSR* provided a “new light” in which to view the references under the doctrine of obviousness. See Order Denying Request for *Ex Parte* Reexamination in Reexamination Control No. 90/008,949, p. 4. The *Ex Parte* Reexamination request was denied by the PTO. *Id.*, p. 5. In the denial, the PTO clarified the standard for determination of whether an SNQ exists based on “old art”:

Reexamination is limited to review of new information about preexisting technology, which may have escaped review at the time of initial examination of the patent application. It was not designed for harassment of a patent owner by review of old information about preexisting technology, even if a third party feels the Office’s conclusion based on that old information was erroneous. The reexamination legislative history nowhere provides from review of such old information, each time a court clarifies or re-interprets a standard or point of law that effects the patentability determination. If it did, the reexamination process would be unwieldy, because case law is constantly evolving.

... The *KSR* decision does not *per se* create new information about preexisting technology that may have escaped review at the time of the initial examination of the patent application. And, in this instance, the *KSR* decision does not present or view the “old art” in a different way, or in a “new light,” as compared to what was already considered in the ‘7628 reexamination proceeding.”

*Id.*, pp. 6-9. (emphasis in original). The feared avalanche did not materialize but there is no doubt that *KSR* spawned more reexaminations than would have occurred otherwise.

38 MPEP Section 2216, Rev. 7, July 2008.

39 *KSR*, 540 U.S. at 413 (“While the sequence of [the Graham factors] might be reordered in any particular case, the factors continue to define the inquiry that controls. If a court, or patent examiner, conducts this analysis and concludes the claimed subject matter was obvious, the claim is invalid under Section 103”).

The '353 request provided an extensive discussion of the various factors, articulated by the Federal Circuit and discussed in the Examination Guidelines, which may be considered in determining the level of ordinary skill in the art.<sup>40</sup> The specific factors addressed in the '353 request included the types of problems encountered in the art, prior art solutions to those problems, rapidity with which innovations are made, the sophistication of the technology, and the educational level of active workers in the field.

### ***E. Real Party in Interest***

While *ex parte* reexamination requests may be filed anonymously by any party, at any time,<sup>41</sup> *inter partes* reexamination requests must identify the real party in interest filing the request. The real party in interest requirement is closely tied to the *inter partes* reexamination estoppel provisions.<sup>42</sup> The estoppel provisions of 35 U.S.C. Section 317(b) apply to the "third party requester" and "its privies." The real party in interest disclosure therefore must be "to the extent necessary for a subsequent person filing an *inter partes* reexamination request to determine whether that person is a privy."<sup>43</sup>

The PTO currently is struggling with the "real party in interest" rule where there is concurrent district court litigation with multiple defendants. Typically, in a multi-defendant litigation, the group of defendants will create a joint defense group ("JDG"). Issues occur when one or more defendants, but not all, file an *inter partes* reexamination request. For instance, the filing defendant (or defendants) may have minimal infringing exposure but is alleged or believed to be acting as a surrogate for the other defendants who are not officially part of the *inter partes* reexamination and thus not bound by the estoppel provisions.<sup>44</sup> An alternative scenario is that the defendant filing the *inter partes* reexamination request is doing so on its own initiative, and perhaps against the wishes of one or more co-defendants.

In such situations, who is the real party in interest? Just the third party requester or the entire JDG? Just those JDG members who have concurred with the reexamination strategy? Just those JDG members who have provided prior art, research, review, analysis, drafts, staffing support, financial backing, concurrence on actual filings, approval of filings, etc.? The authors are aware of several cases involving various flavors of this scenario where the patent owner has filed a petition to vacate the reexamination order, or suspend the reexamination, on the grounds that the "real party in interest" has not been identified and the PTO therefore lacks jurisdiction to continue reexamination proceedings.<sup>45</sup> Where the parties disagree on the facts, the PTO takes the position that it has not been vested with the tools, such as a subpoena power, statutory authority, or a discovery process in reexamination proceedings, necessary to make a proper factual determination. Nor is there clear guidance in the *inter partes* reexamination statute, its legislative history, the PTO rules, or from the courts as to how to resolve such "real party in interest" issues which are real but now often effectively ignored.

Perhaps most importantly, petitions for challenging the real party in interest are not handled by the CRU but are referred to the Office of Patent Legal Administration ("OPLA"). These petitions take time and often significant resources to resolve and are perceived by some as being directly contrary to the statutory requirement that the PTO act with "special dispatch." As one OPLA official has stated, such petitions act as an "anchor" on reexamination proceedings that bring it to a standstill or even prevent the reexamination from getting underway.

40 See e.g., *In re GBAC*, 57 F.3d 1573, 1579 (Fed. Cir. 1995); *Customer Accessories, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 962 (Fed. Cir. 1986); *Envtl. Designs, Ltd. v. Union Oil Co.*, 713 F.2d 693, 696 (Fed. Cir. 1983).

41 See 37 C.F.R. Section 1.510(b) (setting forth information required for an *ex parte* reexamination request and not including the identity of that requester); see also 37 C.F.R. Section 1.510(f) (requiring attorney or agent to have power of attorney if "a request is filed by an attorney or agent identifying another party on whose behalf the request is filed").

42 See M.P.E.P. Section 2612 ("note that it is the real party in interest that is subject to the estoppel provisions and not the party who actually filed the request").

43 37 C.F.R. Section 1.915(b)(8).

44 35 U.S.C. Sections 315(b) and 316(b).

45 The real party in interest issue arises in *inter partes* Reexamination Control Nos. 95/000,227 and 95/000,229.

There is at least one case where the PTO has dismissed an *inter partes* reexamination where the real party in interest was not identified to its satisfaction.<sup>46</sup> The request was filed by an entity calling itself “Troll Busters.” The requester’s website describes its service as completely anonymous: “Troll Busters takes aim and fires in our own name. The Patent Troll will never know who or how many are behind the ‘hit’.”<sup>47</sup> In practice, the PTO generally will not look beyond the required statement identifying the real party in interest unless it is not facially accurate or is ambiguous. In the Troll Busters case, based on the information posted on the Troll Busters webpages, the PTO issued a show cause order to establish the identity of the real party in interest. The PTO was not persuaded by the response, and terminated the reexamination stating that “Troll Busters cannot act as a ‘shell’ in an *inter partes* reexamination request to shield the identity of the real party or parties in interest.”<sup>48</sup> This is the only case of which the authors are aware where the PTO has terminated an *inter partes* reexamination request based on a finding of a violation of the real party in interest requirement.

The Troll Busters case establishes several important considerations for challenging the real party in interest. First, “extrinsic evidence may be submitted by the patent owner to support a petition to vacate the filing date or the Office may use extrinsic evidence to, *sua sponte*, order the requester/real party in interest to show cause.”<sup>49</sup> Second, the PTO stated that “[a]n entity named as the sole real party in interest may not receive a suggestion from another party that a particular patent should be the subject of a request for *inter partes* reexamination and be compensated by that party for the filing of the request . . . without naming the party who suggested and compensated the entity for the filing of a request.”<sup>50</sup> Finally, the PTO explicitly noted that *ex parte* reexamination was still an option for Troll Busters.

In sum, the PTO has a limited ability and appetite to resolve real party in interest disputes in the context of *inter partes* reexamination proceedings because the PTO does not have the discovery mechanisms in reexamination proceedings and resources to mediate or decide such a dispute. However, the “Troll Busters” case shows that an insufficient response to a show cause order may result in dismissal of the *inter partes* reexamination.

When a final decision in an *inter partes* reexamination is favorable to patentability, the estoppel provisions of 35 U.S.C. Section 315(c) attaches to the civil action. Although the PTO has limited ability to investigate and resolve real party in interest issues for PTO proceedings, some practitioners argue that a district court should investigate the true interested prior to instituting the estoppels in the litigation, particularly in multi-party litigation. This is a hot area of dispute, and the authors expect to see more developments over the next year.

### ***F. Impact of KSR on Reexamination Practice***

The Supreme Court’s decision in *KSR v. Teleflex* altered the obviousness calculus in fundamental way by making the obviousness determination more subjective. The full scope of KSR’s impact on patent reexamination remains to be seen, but initial reports indicate that the results may be dire for patent owners, particularly in the “predictable” arts. Extensive research about the impact of *KSR* has been done by many groups. That research demonstrates the impact is significant in original prosecution. For instance, perhaps the most extensive publicly available sample and analysis is by Microsoft’s Corporate Vice President for IP Policy and Strategy, Marshal Phelps *et al.* His research was presented at Sedona Patent Litigation 2008.<sup>51</sup> As his analysis shows, the most effective way to challenge an obviousness rejection in predictable arts is to persuasively argue, with factual support, that a claim feature is not taught by the references. If the references in fact show each element, either explicitly or inherently, then it seems to be very difficult to overcome an obviousness rejection.<sup>52</sup>

46 See Reexamination Control No. 95/001,045.

47 See <http://www.troll-busters.com/>.

48 See Control No. 95/001,045, “Decision Vacating Filing Date,” p. 7 (mailed Aug 25, 2008).

49 *Id.*

50 *Id.*

51 See Microsoft Obviousness Data Research Slide Deck in Obviousness Panel tab of course notebook of Sedona PL08.

52 Many argue that the mere existence of all of the claim elements in the prior art as the basis for a finding of obviousness turns this test of patentability on its head since most inventions are “combination of old elements.” This applies to some of the most important inventions of all time.

It is clear from recent Federal Circuit and BPAI of Patent Appeals and Interferences (BPAI) decisions that mere attorney argument is not sufficient in many cases to prove non-obviousness.<sup>53</sup> The attorney is typically not an expert in the technology of the claimed invention and is not a person of ordinary skill in the art.<sup>54</sup> To prove non-obviousness it seems the best tack is for the story of the invention to be told in its full glory so that the factual predicates are found in the record to support the desired legal conclusion of non-obviousness. While *KSR* makes many statements about what is or is not obvious, it is clear from Supreme Court law that what the decision-maker requires is all of the relevant facts about the invention and its predecessor technology. Thus it behooves the patent owner to put all of the necessary factual predicates in the reexamination record to support the desired legal conclusion of non-obviousness. Failure to do so could result in the CRU finding the claims not patentable and the BPAI and Federal Circuit on appeal being limited to a record that will not permit a reversal.

*KSR* is seen by some judges as providing examples of what might constitute good factual predicates to support non-obviousness, but not as a definitive guide on how best to set forth the full story of the invention. These factual predicates include the so-called “secondary considerations” or “objective evidence” of non-obviousness, such as unexpected results, long-felt need, failure by others and commercial success. But this list is not definitive and counsel for the patent owner should be vigilant and creative in ferreting out and presenting all factual evidence that supports patentability.

One crucial consideration is how to get factual evidence into the record during reexamination. Factual evidence can be in the form of trial evidence or testimony, publication, award, sales information, product reviews, *etc.* Should it be from an expert or at least from a witness considered to be a POSITA? The answer often is yes, although it is a tactical decision just to have POSITA qualification since a qualified technical expert can typically also opine as a POSITA. Reexamination counsel for the patent owner is ill advised to assume either role explicitly or through attorney argument unless she can be qualified as if she is testifying as such in court.<sup>55</sup>

How should this factual evidence from the expert or POSITA be provided to the CRU? Probably it is best if it is in the form of an affidavit or declaration. But such a submission raises several concerns.

First is the specter of inequitable conduct. Reexamination counsel for patent owner is particularly vulnerable because the law is somewhat confused in this area of what constitutes sufficient disclosure of pecuniary benefit between affiant/declarant and the patent owner. Future versions of this paper will address this more fully. However, it behooves the drafter to err on the side of comprehensive disclosure, but such approach increases the size of the administrative record, something the PTO has indicated it would like to avoid, all things being equal.<sup>56</sup>

The second concern is that the reexamination examiners have no mechanism and little experience at best in assessing the competency and veracity of the information and analysis presented in written submissions.<sup>57</sup>

The third concern is the strict page limits imposed on responses to office actions. The page limit issue is sufficiently important that it is addressed separately below as a “hot topic.” We note however, that if the submission is denominated as “factual” as opposed to “argument” it is NOT counted in the page limit.

53 See *Sundance, Inc. v. Demonte Fabricating LTD.*, No. 2008-1068, -1115 Slip op. at 4-7 (Fed. Cir. Dec. 24, 2008).

54 *Id.* (disallowing a patent expert's testimony stating that “[d]espite the absence of any suggestion of relevant technical expertise, [the patent expert] offered expert testimony on several issues which are exclusively determined from the perspective of ordinary skill in the art”).

55 *Id.*

56 Since the duty of disclosure does not apply to reexamination counsel for third party requester, can “reverse” inequitable conduct be found by the PTO, BPAI or the courts for requester submissions clearly hiding the ball from the reexamination examiners? Or is the only possible violation that of 37 C.F.R. Section 11.18? And if the latter is the case, how would such a violation be raised? Would it be done by OPLA based on a Petition from the patent owner that would be referred to The Office of Enrollment and Discipline (OED)? We know the PTO is thinking about these issues but we do not know of any public information from OED showing such a violation has been successfully prosecuted. This different standard of care between reexamination counsel for patent owner and reexamination counsel for third party requester troubles many people and we expect it to be addressed by some tribunal soon.

57 This is a broader problem than the mechanisms available to and experience possessed by reexamination examiners in that in *ex parte* prosecution there traditionally has been little use of affidavits and declarations. But post-*KSR*, this could change dramatically especially in light of recent BPAI and Federal Circuit decisions on obviousness.

We expect that the obviousness area of patent practice will experience extensive attention in the next year as applicants, patent owners, and challengers grapple with the practical implications of *KSR* in PTO examinations, in the CRU, at the BPAI, and in the federal courts and at the ITC.

### ***G. Possible Validity Challenges Other Than Patents and Printed Publications***

Original patent claims in both *ex parte* and *inter partes* reexamination proceedings are only examined on the basis of patents and printed publications.<sup>58</sup> The full suite of defenses available in patent litigations including statutory subject matter (35 U.S.C. Section 101), written description and enablement (35 U.S.C. Section 112), public use, prior sale, and inequitable conduct are NOT available in reexamination proceedings. This disparity between invalidity challenges available in a district court and the invalidity challenges in reexamination has spawned efforts to expand the available bases for requesting reexamination to create more equivalence between the two forums. The PTO takes the position that the reexamination statute does not permit such an expansion.<sup>59</sup> The CRU has therefore strictly enforced the narrow basis for reexamination of original claims to rejections based on patents and printed publication. Under this regime, collateral prior art defenses—for example commercialization activities surrounding a printed publication—cannot be considered in reexamination even though such defenses can be considered in any parallel court litigation under prior art categories such as “on sale” or “public use.”

The efforts to achieve identity between the invalidity challenges available in district court and those available in reexamination have centered primarily on changes to the underlying statute and the introduction of a new post grant review process. This post-grant review (“PGR”) process has been proposed in several prior versions of Patent Reform legislation; and as of the publication of this paper Senate Bill S515 contains language for a “first window” post-grant review. Under the current version, the “window” concept refers to the time period from when the patent issues to when the period for filing a PGR would close—12 months in the current draft. The PGR would supplement, not replace reexamination. As part of the legislation, *inter partes* reexamination would be made available for all unexpired patents.<sup>60</sup> The PGR would be an adversarial two-party process in the PTO with expanded grounds for challenging validity of a patent beyond the limited patents and printed publication available in reexamination. Limited discovery would be available and oral testimony before administrative law judges (“ALJs”) would be allowed. Under the current view, the ALJ would rule in a summary judgment style. The goal of the PGR would be a faster, better, and cheaper alternative to the courts for decision on the validity of issued patent claims. The PGR concept as currently envisioned has generated considerable controversy from many stakeholder groups who question whether the professed goals are attainable and whether the PGR would actually improve the patent system and protect legitimate patent rights.

Other efforts focus on expanding the examination performed by the CRU, after a request is granted. As discussed above, the PTO does not address rejections of original patent claims beyond those based on patents or printed publications. The premise for not addressing these grounds for invalidity, particularly statutory subject matter or 35 U.S.C. Section 112 written description and enablement challenges, is that the original patent claims were found patentable under these statutory provisions during prosecution and therefore the claim status under these provisions has not changed. However, some practitioners argue that decisions by the Federal Circuit and Supreme Court occurring after allowance of the original patent claims undermine this reasoning. As an example, the Supreme Court has granted *cert* in the recent case address statutory subject matter, *In re Bilski*. Most watchers of this case expect the Supreme Court to formulate a new test for determining the existence of statutory subject matter. Such a decision will have a ripple effect, calling into question the patentability of a significant number of issued patents, particularly in the electrical arts, methods of doing business, and diagnostic and testing methods.

<sup>58</sup> 35 U.S.C. Sections 302, 311; 37 C.F.R. Sections 1.510(a), 1.915(b).

<sup>59</sup> See 37 C.F.R. Sections 1.552, 1.906; M.P.E.P. Sections 2258, 2658.

<sup>60</sup> Currently, *inter partes* reexamination can only be filed for a patent issued from an original application filed on or after November 29, 1999. See 37 C.F.R. Section 1.913; See also M.P.E.P. Section 2611.

As a result of these cases, the authors predict increased pressure on the PTO and Congress to introduce statutory subject matter challenges, at a minimum, into reexamination proceedings. Although statutorily barred from being included in the reexamination request, some practitioners argue that the PTO could, on its own, raise these issues during reexamination, in the same manner that is done during original prosecution. Although potentially allowable under the current statute, this approach would require a change to the PTO rules and procedures. Under current PTO procedures, amendments to the original patent claims open the door to these additional invalidity challenges—but only against the amendments.

#### ***H. Multiple PTO Proceedings Involving the Same Patent - Reexamination with Other Reexamination, Reissue, or Interference Proceeding***

If the parallel universe of having the same patent subject to review in reexamination and court litigation seems complicated enough, the picture can become even more multi-dimensional if the patent is also subject to additional reexamination, reissue, or interference proceedings. There are several scenarios possible under current practice. Another *ex parte* or *inter partes* reexamination can be filed on the same patent.<sup>61</sup> A reissue application, whether broadening or narrowing, can also be filed. Additionally, the patent in reexamination can be involved in an interference proceeding with another patent application. Under present practice, it is conceivable that a single patent could be involved in all of these proceedings concurrently.

Such multiple proceedings will likely have a significant impact on pendency, cost, and complexity of the reexamination.<sup>62</sup> Such multiple PTO proceedings involving the same patent are not rare. In fact, multiple reexaminations of the same patent and/or a reexamination with a parallel reissue application are seen frequently, especially if the patent is perceived as being very valuable or is part of a hard-fought litigation. In Section V.F. below, the practice issues involving these parallel proceedings are examined.

Should a patent owner or third party requester initiate an additional concurrent proceeding? There are several important political and strategic perspectives to consider before initiating another concurrent proceeding. First, certain types of proceedings may be merged by the PTO. For example, multiple reexaminations of the same patent are typically merged into one proceeding. Because of the nearly certain merger, some practitioners have adopted the practice of first filing an *ex parte* reexamination and then following soon after with an *inter partes* reexamination. The *ex parte* reexam typically involves fewer claims and fewer SNQs than the later filed *inter partes* reexam. Some argue that this strategy allows the requester to obtain an quick filing date (to enhance the possibility of a stay from the court), and prevents a stay of the *inter partes* reexamination after merger due to the presence of the *ex parte* issues. Additionally, *ex parte* interview rights are typically extinguished after merger of the proceedings.

Other practitioners file multiple *ex parte* reexaminations (alone or in combination with an *inter partes* reexamination) on the same patent. With regard to the *ex parte* scenario, this “rolling reexams” approach is not prohibited by statute or by the rules. Because the multiple reexaminations are typically merged, patent owners argue that rolling reexaminations delay conclusion the reexamination proceeding, undermining their statutory right to a reexamination proceeding handled with “special dispatch,” waste valuable patent term, can effectively turn an *ex parte* proceeding into an *inter partes* proceeding, and could be perceived as harassment of the patent owner.

Reissue applications may also be merged with a copending reexamination proceeding. The merged reissue/reexamination proceedings are often transferred to the technology center for handling, rather than the CRU. Some practitioners argue that this strategy creates an unfair advantage by allowing the patent owner to prosecute the reexamination in a technology center that may be more

61 If an *inter partes* reexamination has already been filed, the estoppel provisions of 35 U.S.C. Section 317 prevent the third party requester or its privies from filing a subsequent reexamination request.

62 Current legislation contained in S515 in the U.S. Senate could expand this complexity with the creation of a “first window” post-grant review process and expansion of *inter partes* reexamination to cover all unexpired patents.

friendly to the patent owner and that operates under different performance metrics for examiners. Practitioners also argue that this technique is used to introduce delay into the PTO proceedings. Authors have been told that the PTO is constantly reviewing its merger procedures for reissues and reexamination to remove the potential for “gaming the system.”

A patent being reexamined may also be involved in an interference proceeding with at least one application.<sup>63</sup> The general policy of the PTO is that the reexamination proceeding will not be delayed, or stayed, because of an interference or the possibility of an interference.<sup>64</sup> In a concurrent reexamination and interference, the PTO follows the practice of making the required and necessary decisions in the reexamination proceeding and, at the same time, going forward with the interference to the extent desirable.<sup>65</sup> Any party to the interference may make a miscellaneous motion under 37 C.F.R. Section 41.121(a)(3) to suspend an interference pending the outcome of a reexamination proceeding.<sup>66</sup> Similarly, a party to the reexamination proceeding may file a petition to stay the reexamination proceeding because of the interference.<sup>67</sup>

### ***I. Appeals of Inter Partes Reexaminations to BPAI and Federal Circuit***

Not a single *inter partes* reexamination has been appealed from the BPAI to the Federal Circuit. While a small percentage of *inter partes* reexamination certificates have issued from the CRU,<sup>68</sup> a search of the BPAI’s decisions reveals that the BPAI has decided less than five *inter partes* reexaminations.<sup>69</sup> Significantly, at least three of these decisions resulted in a non-final, non-appealable decision, and were therefore remanded to the examiner for further prosecution.<sup>70</sup>

One reason for BPAI’s inability to issue final decisions seems to be a lack of clarity in both the rules and statutes for the role of the BPAI in reviewing CRU decisions. More specifically, it is not clear whether the BPAI should act as a judge between patent owner and the third party requester, or whether it should sit as a “super examiner,” the role it often takes in appeals.

The Chart entitled “Procedure Following Board Decision for Reexaminations Commenced On or After November 2, 2002” in MPEP Section 2601.01 graphically shows at least one remand problem that currently exists. In this example, the remand from the BPAI to the CRU occurs where a proposed ground of rejection in the reexamination request is not adopted by the CRU examiners in the first Office Action. On appeal to the BPAI the third party requester raises this as a “new ground of rejection” that should have been made by CRU. The BPAI agrees but does not have the factual and argument record to decide the rejection and thus remands the reexamination back to the CRU to address with the parties. This remand may occur for other reasons or may occur a second time. It is the specter of multiple remands that has created the concern that *inter partes* reexamination may be fundamentally flawed.<sup>71</sup>

Another possible reason for absence of cases making it to the Federal Circuit, is that, for a certain small subset of *inter partes* reexaminations, the process is effective without need to appeal to either the BPAI or the Federal Circuit. According to a recent PTO statistics, 44 *inter partes*

63 See M.P.E.P. Sections 2284, 2686.02.

64 See M.P.E.P. Sections 2284, 2686.02.

65 See M.P.E.P. Sections 2284, 2686.02.

66 See M.P.E.P. Sections 2284.11, 2686.02II.

67 See M.P.E.P. Sections 2284.V, 2686.02IV.

68 A Reexamination Certificate is issued at the completion of the reexamination process, regardless of the outcome, which often is cancellation or disclaimer of all of the claims.

69 See, e.g., Reexamination Control No. 95/000,006 (USPN 6,357,595); Reexamination Control No. 95/000,009 (USPN 6,399,670); Reexamination Control No. 95/000,030 (USPN 6,508,393).

70 It has been posed to the authors that the reason for no *inter partes* case making it from the BPAI to the Federal Circuit is due (1) to the very small number of *inter partes* reexaminations filed in the early years of the statute; and (2) to the practical reality that the *inter partes* reexamination process is a “work in progress” and like all such endeavors, it takes time to work out the kinks and “get it right.” Both of these observations appear correct but belie the practical consequence that the goals of *inter partes* reexamination of being faster, better and cheaper than the district courts in assessing patentability based on parents and printed publications have failed so far in practice.

71 At Sedona PL08 this possibility of multiple remands (dubbed the “infinite do loop” from computer programming parlance) was raised and seriously discussed. Senior PTO officials and others were concerned about its existence. Since then the authors have conferred with these senior officials and others to assess whether this problem is global or whether it is limited to two possible remands or to certain situations (e.g., the unadopted proposed ground of rejection example discussed). It seems that it is too early in the deployment of the current *inter partes* reexamination process to know whether the problem is global. Moreover, it may be that the BPAI will go more in the direction of acting as a judge who makes a final decision and sets case for appeal to Federal Circuit, and less as a “super examiner” who remands for another round of prosecution in its review of *inter partes* reexaminations.

reexamination certificates have issued as of December 31, 2008, out of 544 total requests filed through December 31, 2008.<sup>72</sup> While this represents only ten percent of total *inter partes* reexaminations granted, the statistics indicates that [t]hird party requesters succeeded in having all claims cancelled or disclaimed in 70% (31) of the first 44 completed *inter partes* proceedings in which a certificate issued.<sup>73</sup> The high success rate is skewed by the significant non-response rate by the patent owner either after a first Office Action or after actions later in prosecution. Thus, the data might simply show that the *inter partes* process works well for a very weak patent in which the patent owner has little incentive to defend the patent's validity.

The practical effect of this uncertainty appears to be that the BPAI remands at least some reexaminations, especially *inter partes*, back to the CRU.<sup>74</sup> Based on the authors' interviews with senior BPAI and CRU personnel, we know the PTO is aware of this issue and is working to assess the issue and perhaps to devise changes that take into consideration the policy goals behind *inter partes* reexamination. Specifically, the PTO is seeking an approach that recognizes that *inter partes* reexamination should not be a tool used to harass patent owners, but rather functions as post-grant validity check on issued patents that is faster, cheaper, and better than federal the court challenges. Those objectives formed Congress's basis for creating the *inter partes* reexamination process.

### ***J. Impact of PTO and Court Decisions on Stock Price***

The CRU, the courts and the parties should all be aware of how their decisions involving reexaminations can impact the world outside the tribunal. In certain high profile situations in the past two years, the stock price (and company valuation) of a publicly traded patent owner has dropped precipitously due to a significant decision in a patent suit<sup>75</sup> or in a concurrent reexamination of the patent in suit such as the issuance of a non-final office action rejecting some or all of the claims of the patent in reexamination.<sup>76</sup> This precipitous drop is in large part due to "short selling" in the capital markets of the stock of the patent owner, which is driven down by the shorts as a way to make a big profit. Putting aside whether such practices are proper, it seems fair that the PTO should indicate on its website that rejections in non-final office actions do not necessarily reflect the final disposition of such claims in reexaminations. This information may stem the lack of knowledge of the full implications of a non-final office action and thus may allow the capital markets to more accurately and appropriately react to these reexamination developments.

Coupled to these precipitous stock drops due to non-final office action rejections, litigation and reexamination counsel for the requester have issued press releases touting the significance of the development. While the First Amendment encourages full disclosure of public information, critics contend that these press releases are so slanted that they cross the line of what is proper conduct for attorneys when "litigating in the press."

The authors have interviewed corporate executives and securities litigators regarding what legal rights and responsibilities patent owners have with and against short sellers using non-final reexamination and other patent enforcement developments to make quick big profits. In addition, they have interviewed experts in media relations and have received excellent feedback on how best to

72 *Inter Partes* Reexamination Filing Data - December 31, 2008, United States Patent and Trademark Office (December 2008). Authors note that 193 *inter partes* reexamination were filed through 2006.

73 *Id.*

74 The question has been raised by several as to why this multiple remand ("infinite do loop") problem does not exist with *ex parte* reexamination. One answer may be the structural difference of the third party requester not having standing once the *ex parte* request is instituted. A patent owner has no incentive to raise the "new ground of rejection" argument at the BPAI that the CRU should have adopted a proposed ground of rejection not used from the reexamination request.

75 In January 2009, shares of Rambus fell nearly 40 % when the U.S. District Court for the District of Delaware ruled in a patent infringement suit that the "company cannot enforce 12 of its semiconductor patents in a suit against Micron Technology Inc. because Rambus destroyed documents about them." See IPLaw360, Document Shredding Voided Rambus Patents (January 9, 2009).

76 Tessera Technologies shares dropped nearly 40% following a non-final office action in a patent reexamination. Tessera's stock recovered somewhat, but only after its general counsel contacted investors and assured them non-final actions were not unusual and that "[c]laims of a patent can not be invalidated in reexamination until the process if fully complete, including all appeals." (See [http://www.forbes.com/markets/2008/03/04/tessera-chip-patent-market-equity-cx\\_md\\_0304markets37.html](http://www.forbes.com/markets/2008/03/04/tessera-chip-patent-market-equity-cx_md_0304markets37.html)). In another reported case, 01 Communique's stock fell more than 61% following an announcement that its patent infringement case against Citrix had been stayed pending reexamination of the patents underlying the claims. (See <http://network.nationalpost.com/np/blogs/tradingdesk/archive/2008/03/13/hot-stock-01-communiquedown-60-on-patent-re-examination.aspx>) Finally, Avistar Communications blamed Microsoft initiated reexaminations for its need to cut its U.S. and European workforce by 25%. (See <http://www.siliconbeat.com/2008/03/26/local-firm-blames-25-job-cut-on-microsoft-action/>).

deal with court and PTO decisions in the parallel universe. In these days of instant corporate “news”—created by mass communications and the Internet, bloggers and message boards, mainstream press and self proclaimed anonymous pundits, investors and manipulators—perception is often more powerful than the “truth” and it behooves senior executives, their counsel and advisors to be current on best practices on how best to deal with this ever present challenge.

The authors commend the book *STOP THE PRESSES*<sup>77</sup> by Richard S. Levick, Esq. and Larry Smith as an excellent source of best practices for meeting this challenge. The following eight suggestions were provided by Melissa Arnoff of Levick Communications on how best to control and frame instant corporate “news.”

(1) Be positive: Don't repeat negative language or focus on negative verdicts. Instead, find a way to position the news in a positive, or at least neutral, light.

(2) Embrace the media: Instead of hiding from reporters, get to them early to tell your story and put decisions in context so they can tell balanced, accurate stories. If you avoid commenting, your opponent will control the entire story. This is the era of transparency; you cannot hide.

(3) Be an educator, not an enemy: Patent law is complicated. Help inform reporters and investors so that they better understand the re-exam process and don't over react to small decisions that are part of a long process. At first, this practice may seem awkward, but it will pay great dividends in better and fairer media coverage.

(4) Stay in front of the news: Prepare statements and news releases for each possible court decision before the verdict so that you can deliver your position immediately and not be delayed by the approval process and wordsmithing.

(5) Tell your story: Know what story you want to tell beyond the litigation. What company image do you want to project? Use that image in all your interviews so that you have something to talk about beside the legal process. Every public utterance is ultimately a marketing opportunity.

(6) Repeat. Repeat. Repeat: Don't be afraid to tell your story to as many audiences as possible as many times as possible. You don't have to use the same words every time, but keep the message consistent.

(7) Use your friends: Enlist third-parties to help tell your story and validate the strength of your company, or the details of patent law. It adds credibility and gives you more ways to tell your story.

(8) Apply the “Power of Three”: Why spend so much time preparing a speech or writing a paper only to use it once? Maximize your effort by finding at least three uses for each product you create. If you deliver a presentation before a group, re-package the talk as an article for a legal or IP publication, edit it for use as a blog post, and pitch it to the news media as the core of a feature story.

Compounding the issue of adverse impacts on stock is the delay by the PTO in posting documents on its publicly searchable database (“PAIR”). The PTO has improved the delay between filing and posting documents on PAIR. According to a PTO official, the goal is to have documents posted within two business days (48 hours).

### ***K. Effect of Settlement Agreements on Inter Partes Reexamination***

What is the effect on *inter partes* reexamination proceedings where a settlement agreement is reached in a concurrent litigation and one of the parties to the reexamination concedes or stipulates

<sup>77</sup> Richard S. Levick & Larry Smith, *STOP THE PRESSES: THE CRISIS AND LITIGATION PR DESK REFERENCE* (Watershed Press, 2007 2<sup>ND</sup> Ed).

either to the validity or invalidity of the patent? It is well settled that, during litigation, patent owners may make admissions to which they may be bound to during reexamination proceedings. For instance, a patent owner may make a binding admission as to whether a particular reference is prior art. If a third party requester concedes patent validity in a settlement agreement, is the PTO then obligated to decide the reexamination on such an admission? Would a settlement be considered a final decision such that the estoppel provisions now apply in the reexamination? Does a third party requester lose standing to participate in an *inter partes* reexamination automatically upon settlement or should removal from the reexamination proceeding be a condition of settlement? If a third party requester agrees to step out of the reexamination, would the *inter partes* reexamination continue or does the PTO convert the *inter partes* proceeding to an *ex parte* reexamination?

A settlement agreement will not operate to terminate a co-pending *inter partes* reexamination, even when an identity of claims and issues exists between the two proceedings. The estoppel provisions of 35 U.S.C. Section 317(b) states that the estoppels arise “[o]nce a final decision has been entered against a party in a civil action ... that the party has not sustained its burden of proving the invalidity of any patent claim in suit.” A settlement agreement is not a final decision that a party has not sustained its burden of proving invalidity of a patent claim. PTO takes this position and will not terminate an *inter partes* reexamination based solely on a settlement agreement between parties.

The PTO also will not automatically remove standing of the third party requester when the co-pending litigation settles. Therefore, any settlement agreement must address the ability of the third party to continue participation in the *inter partes* reexamination request. A third party can waive its ability to participate further in the reexamination. When the third party steps out of the reexamination, the *inter partes* reexamination is effectively turned *ex parte* in nature (*i.e.*, only the patent owner remains). Other interested entities are not permitted by the PTO to step into the shoes of the settling requester.<sup>78</sup> But whether a reexamination can upset a prior settlement agreement is another story, as noted in *In re Swanson*.<sup>79</sup>

### **L. Reexaminations and Willfulness**

Another extremely hot topic in concurrent reexamination and litigation is the use of reexaminations as a defense against willful infringement. In *In re Seagate Technology, LLC*<sup>80</sup> the Federal Circuit overturned the then existing standard for willful infringement. Under the new standard, “to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.<sup>81</sup> If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively defined risk was either known or so obvious that it should have been known to the accused infringer.<sup>82</sup>”

Under the new standard, some practitioners argue that the granting of a reexamination request by the PTO therefore defeats a claim of willful infringement. To date, district courts have declined to establish a *per se* rule regarding the impact of reexamination on a claim of willfulness. Instead, the district courts have viewed the granting of a reexamination request as one factor, among a totality of the circumstances, to consider in examining whether a party can meet the requirements of *In re Seagate*.<sup>83</sup> At least one court found that “[i]t does appear that a reexamination order may be taken as dispositive with respect to post-filing conduct.”<sup>84</sup>

78 In litigations involving multiple accused infringers, the accused infringers that are not requesters to an *inter partes* reexamination run the risk that the requester will settle and use this prospect as settlement leverage with the patent owner who benefits from having the reexamination effectively converted to *ex parte*. However, these same accused infringers benefit because they are not subject to the estoppels of the *inter partes* statute.

79 *In re Swanson*, 540 F.3d 1168, at n.5 (Fed. Cir. 2008) (noting that “an attempt to reopen a final federal court judgment of infringement on the basis of a reexamination finding of invalidity might raise constitutional problems”).

80 *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2006).

81 *Id.* at 1371.

82 *Id.*

83 See *Lucent Technologies v. Gateway, Inc.*, 2007 U.S. Dist. LEXIS 95934 (S.D. Cal. 2007); See also *St. Clair Intellectual Property Consultants, Inc. v. Matsushita Electronic Industrial Co., Ltd.*, 2009 U.S. Dist. LEXIS 49882 (D. Del 2009).

84 2007 U.S. Dist. LEXIS 95934 at \*19.

Decisions on the impact of reexamination on the willfulness inquiry have focused on the status of the claims at the time of the willfulness determination. For example, if a reexamination certificate issued without amendments to the claims or claims in suit, a court may be hesitant to assign much weight to the reexamination request in the willfulness inquiry. However, before the reexamination certificate issues, the validity of a patent remains questionable and allegations of deliberate or reckless actions by a defendant may lack sufficient factual or legal grounds.<sup>85</sup>

### III. THE “PARALLEL UNIVERSE” EXAMINED

The term “parallel universe” has been used to describe the situation where patent validity is considered simultaneously by both a district court or the ITC and the PTO. It should be noted that the proceedings are “parallel” only in the temporal sense. To the extent that the term connotes any other identity of procedure, the term is a misnomer. In actuality, the proceedings are quite different in both scope and procedure. Understanding those differences are critical to any informed decision making on parallel reexamination proceedings. Before tackling reexamination strategy considerations in Section III, we first explore some basic differences in the two proceedings.

#### A. Scope of Proceedings

The scope of available validity challenges is far broader in district court litigation than it is in patent reexamination proceedings. In district court litigation, patent validity may be challenged under any statutory provision, including provisions set forth at 35 U.S.C. Sections 101, 102, 103 and 112. Further, patent challengers also may argue that the asserted patent is unenforceable due to either inequitable conduct or laches. Patent reexamination, on the other hand, is far more limited in scope. By statute, reexaminations may only be initiated when the PTO is presented with a “substantial new question of patentability” or (“SNQ.”)<sup>86</sup> An SNQ only may be predicated on prior art printed publications and may not be cumulative to information already considered by the PTO in original prosecution or in prior reexaminations. An SNQ may not be predicated on any other statutory provisions, including whether the claims contain statutory subject matter under section 101 or whether there exists an “on-sale-bar” or “public use” under section 102(b). Any party considering a parallel reexamination should be aware of the limited scope available to challenge the patentability during a patent reexamination.

#### B. Standard of Review

The standard of review for patent validity is different in district court litigation than it is before the CRU in patent reexamination proceedings. In district court, patent claims enjoy a presumption of validity, which may be overcome only by clear and convincing evidence. In contrast, no such evidentiary presumption exists during reexamination before the PTO. The PTO and the CRU use a “preponderance of the evidence” standard for adjudicating patentability.<sup>87</sup> For this reason, challenging a patent’s validity<sup>88</sup> should be easier before the PTO than in the district court. Nevertheless, a patent owner faces many practical limitations in its ability to amend claims during reexamination.<sup>89</sup> As noted herein, if claims are amended substantively, liability for past damages is put at serious risk.

<sup>85</sup> See March 3, 2009 ORDER, *Ultratech Int'l, Inc. v. Swimways Corp.*, 3:05-cv-134-J-25MCR (M.D. Fla).

<sup>86</sup> 35 U.S.C. Sections 303, 304, 312, 313.

<sup>87</sup> MPEP Section 706.I. (“The standard to be applied in all cases is the ‘preponderance of the evidence’ test. In other words, an examiner should reject a claim if, in view of the prior art and evidence of record, it is more likely than not that the claim is unpatentable.”).

<sup>88</sup> The district courts determine “validity,” while the PTO reexamines “patentability.” The authors use these terms interchangeably, but they are technically different.

<sup>89</sup> No proposed amended or new claim enlarging the scope of claims of a patent is permitted in a reexamination proceeding. 35 U.S.C. Section 305. The test for when an amended or new claim enlarges the scope of an original claim is the same as that under the two-year limitation for reissue applications that add enlarging claims under 35 U.S.C. Section 251, last paragraph. MPEP Section 2250 (citing *In re Freeman*, 30 F.3d 1459, 1464 (Fed. Cir. 1994)). After expiration of a patent undergoing reexamination, no amendments may be proposed for entry. 37 CFR Section 1.121(j). Further, any amendments and all claims added during the proceeding are withdrawn if a patent expires during pendency of a reexamination proceeding. MPEP Section 2250.

### C. Claim Construction

The standards for claim construction are very different in district court litigation as compared to patent reexamination proceedings. During reexamination proceedings, claims are construed with their broadest reasonable interpretation, consistent with the specification.<sup>90</sup> For this reason, a *Markman* order in district court has no preclusive effect on the PTO and is not binding thereon.<sup>91</sup> A broad claim construction draws in more potential prior art.<sup>92</sup>

In U.S. district courts, on the other hand, claims are often construed so that they remain valid in view of prior art. The court looks to get the “correct” claim construction after reviewing the parties’ respective positions. Such a construction will typically be narrower than used by the PTO and may thus limit the world of available prior art.

This is not a merely academic distinction—the difference in claim construction can have real world effects in the parallel universe. Consider a situation where a court issues a claim construction order in a litigation and the patent owner is ultimately successful in defending its intellectual property right against an invalidity challenge based on this claim construction. The defendant (or another third party) may subsequently challenge the patentability of the same patent in the PTO. In this situation, the PTO, using a broader construction, creates a different scope for the claims, and arguably a different intellectual property right. In such cases, the patent owner is not permitted to adopt the claim construction of the court. Due to these different claim construction standards, a patent owner may be forced into the difficult circumstance of having to amend claims to incorporate the court’s construction and potentially lose past damages, or continue to argue the issue in the reexamination proceeding and potentially extinguish all intellectual property rights in the patent. To be sure, more than a few patent owners have faced this exact situation.

It is technically true that patent owners have the ability to amend claims during reexamination, provided the amendments do not enlarge the scope of the claims. In the parallel universe situations, however, this ability is severely circumscribed. First, substantive amendment of asserted claims could literally wipe out a district court or ITC *Markman* ruling. If the litigation or ITC investigation has progressed to trial, substantive amendment of asserted claims could result in an enormous waste of judicial and party resources—sometimes to the tune tens of millions of dollars. Second, if a patent owner is forced to amend claims to preserve patentability, it risks the loss of any claim to past damages under the intervening rights doctrine, which is fully applicable to reexamination proceedings.<sup>93</sup> In many instances, this not an insignificant prospect. Third, in *inter partes* proceedings, the patent owner is not allowed to interview the examiner. If the patent owner decides to first argue around the prior art, and then is faced with a final office action, there is little room for the type of negotiation necessary to arrive claim amendments likely to be successful in overcoming pending final rejections. Thus, in reality, patent owners have an extremely limited ability to amend claims. This is one area of law that deserves careful attention.

### D. Decision Makers

The ultimate arbiter of patent validity is different in the district court than it is in patent reexamination proceedings. This may be stating the obvious, but this fact has very real consequences. Patent validity challenges in district court are determined by a judge or jury that more often than not has absolutely no technical background in the relevant art. Before the CRU, on the other hand, patentability is determined by technically trained, experienced patent examiners. Moreover, the CRU assigns a 3 examiner team to each reexamination.

90 *In re Yamamoto*, 740 F.2d 1596, 1571 (Fed. Cir. 1984).

91 *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1297 (Fed. Cir. 2007).

92 When a patent owner loses their ability to amend the claims (e.g., when a patent term expires during the reexamination proceeding), the standard for claim construction moves from the broadest reasonable interpretation standard to a standard “pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316, 75 USPQ2d 1321, 1329 (Fed. Cir. 2005)(words of a claim ‘are generally given their ordinary and customary meaning’ as understood by a person of ordinary skill in the art in question at the time of the invention).” MPEP Section 2258.I.G.

93 35 U.S.C. Sections 307(b) and 316(b).

### ***E. District Court v. Central Reexamination Unit***

“Courts do not find patents ‘valid,’ only that the patent challenger did not carry the ‘burden of establishing invalidity in the particular case before the court . . . .”<sup>94</sup> A prior holding of validity by a district court is therefore not inconsistent with a subsequent holding of invalidity by the PTO.<sup>95</sup> While the PTO may accord deference to factual findings made by the court, the determination of whether an SNQ exists will be made independently of the court’s decision on validity, since the decision is not controlling on the PTO.<sup>96</sup> A non-final holding of claim invalidity or unenforceability also will not be controlling on the question of whether an SNQ is present. Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the PTO. In such cases, an SNQ would not be present as to the claims held invalid or unenforceable.<sup>97</sup> In other words, the PTO will not reexamine patent claims that previously were invalidated by a district court. In sum, only a final, non-appealable, ruling on invalidity is binding on the PTO.

### ***F. Cumulative Effect***

The cumulative effect of the “non-parallel” aspects of district court and reexamination proceedings is profound. It is the authors’ perception that broader claim construction used by the PTO, combined with the lack of any presumption of validity and skilled decision makers, results in far easier prior art validity challenges. Moreover, the CRU often rejects all of the claims in the first OA and puts the burden on the patent owner to prove the patentability of the claims even if the claims have been subject to extensive prior art attack in prior court actions.

With a high level understanding of the fundamental differences between validity challenges before the district court and the CRU, we now can explore various reexamination strategy considerations when district court litigation is threatened or pending.

## **IV. REEXAMINATION STRATEGY CONSIDERATIONS WHEN LITIGATION IS THREATENED OR PENDING**

A comprehensive strategy should be in place before filing a reexamination request. The requester should have a clear objective and should be fully aware of the consequences of filing a reexamination request. Once filed, the requester cannot “unfile” the reexamination as part of a settlement with the patent owner.<sup>98</sup> After the reexamination is instituted, it will take on a life of its own. Many pitfalls await the unwary requester who has not fully thought out the consequences of filing a reexamination request. The following sections are presented roughly in chronological order.

### ***A. Reexamination Pendency***

Reexamination pendency continues to be a “Hot Topic.” As noted above in the Hot Topics section, a realistic timetable for an reexamination is a crucial datapoint for third party requesters, patent owners and judges as they navigate the parallel universe. For these reasons, we provide below some insight into external and internal PTO and CRU procedures, as well as the latest information regarding reexamination pendency.

Upon filing, reexamination requests first undergo review by the CRU staff to ensure compliance with the rules. For instance, the staff will ensure that each reference cited by requester is

<sup>94</sup> *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008).

<sup>95</sup> In an *inter partes* reexamination brought by a party to the litigation, a final holding of validity in the civil action triggers the estoppel provisions of 37 C.F.R. Section 317(b) in the reexamination proceeding. All issues that were raised or could have been raised by the party in the civil action will not be maintained in the *inter partes* reexamination proceeding.

<sup>96</sup> *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988); *In re Swanson*, No. 2007-1534 at pp. 12-18 (citing *Ethicon*, 849 F.2d at n. 3 and *Stevenson v. Sears Roebuck & Co.*, 713 F.2d 705, 710 (Fed. Cir. 1983)) (emphasis in original).

<sup>97</sup> See MPEP Section 2686.04.

<sup>98</sup> In a recent example, we are told that a third party requester attempted to halt a reexamination proceeding by stopping payment of a check for the reexamination fee. The PTO indicated that such actions could result in OED imposing a suspension of the attorney from PTO practice for taking the action.

used to support at least one SNQ. Further, the staff recently began ensuring that the requester properly and affirmatively demonstrated that each SNQ is non-cumulative of the art previously considered during original prosecution or previous reexaminations. If the reexamination request passes muster under the CRU staff, a notice of the request is made public in the Official Gazette. When a request is deemed to satisfy all the requirements of the *ex parte* or *inter partes* rules,<sup>99</sup> the filing date becomes the reexamination filing date. Just because the notice of request is published in the Official Gazette does not necessarily mean that the reexamination request was satisfactory. Roughly 10% of requests are later vacated by the examining panel for informalities. While this number has fallen from roughly 15% in previous years, the authors have noted a recent uptick in denial rates based on the requester's failure to adequately prove that the proposed SNQ is not cumulative to the art considered during original prosecution.

Once a satisfactory request has been made, the CRU has a three-month deadline to issue a decision on the request based on whether a substantial new question of patentability ("SNQ") has been raised in the request.<sup>100</sup> For *ex parte* requests, the grant starts a two month window in which the patent owner may respond to the request. In that response, the patent owner may amend claims or argue that the claims under reexamination are patentable. If the patent owner elects to file a statement, then the third party requester may reply. This is the only opportunity a third party requester gets to participate in an *ex parte* reexamination proceeding. Most reexamination practitioners advise against filing a patent owner's response for this reason. For *inter partes* requests, CRU procedures suggest that a first office action on the merits accompany the grant, but that is not required. Overall, the CRU has established an internal goal to issue a final office action or an Action Closing Prosecution ("ACP") within two years of the filing date of a request for reexamination. As the CRU works through its backlog, this goal is becoming more and more realistic.

All reexaminations are required by statute to be handled with "special dispatch."<sup>101</sup> Nonetheless, higher priority is afforded to reexaminations of patents involved in litigation. Even higher priority is afforded when trial proceedings have been stayed pending the outcome of reexamination. The highest priority is assigned to reexaminations that have been pending for at least two years. The rules require patent owners to notify the Office of prior or concurrent proceedings,<sup>102</sup> and the CRU has dedicated paralegals that search litigation databases for the status of pending litigation during the pendency of the reexamination proceeding. The CRU thus assigns priority based on its own statistics and research, and based on patent owner notifications. Therefore, it is critical for the Patent Owner to keep the PTO informed of the existence and status of related co-pending district court or ITC proceedings.

Currently, approximately 40% of the pending reexamination requests lay in the electrical/software/business method arts. In addition, the mechanical arts make up around 35% and this number is growing. While there may be a perception that reexamination is disfavored in the chemical/biological arts, we note that over 20% of reexamination filings were in these arts. The lower number of requests in the chemical/biological arts is likely a mirror of current trends in the technology centers and the fewer issued patents in the chemical/biological fields. Current pendency rates reflect the large number of reexaminations in the electrical arts. Using the two-year-to-final-action metric, the chemical/biological group has no backlog, while nearly 90% of the mechanical reexaminations achieved this goal. However, only 70% of the electrical/software/business method reexaminations resulted in a final action by the two-year point.

Once prosecution closes, an appeal to the BPAI is available to the patent owner in *ex parte* reexamination and to both the patent owner and the third party requester in *inter partes* reexamination. After hearing an appeal, the BPAI has a stated goal of then rendering a reexamination decision in six months. However, one serious issue currently impacting overall reexamination pendency is the growing backlog of cases awaiting disposition by the Board. As

99 35 U.S.C. Sections 510 (*ex parte* reexaminations) and 919 (*inter partes* reexaminations).

100 The substantial new question of patentability (SNQ) is discussed in more detail in subsequent sections of this paper.

101 35 U.S.C. Sections 305 and 314.

102 37 C.F.R. Sections 1.565 and 1.985.

noted above in the Hot Topics, the current BPAI statistics look grim, and without serious attention, the Board will soon face a nearly insurmountable backlog cases. If the Board does not implement procedures to deal separately with reexaminations and appeals from the CRU merely are added to the end of the line, then the growing BPAI bottleneck may run afoul of the statutory mandate for “special dispatch.” Moreover, the backlog and threatens to remove reexamination as a timely and efficient post-grant challenge.

The apparent BPAI bottleneck notwithstanding, as yet there are no reliable statistics on the pendency of reexaminations appealed to the BPAI. In an April 2008 briefing on *inter partes* reexaminations, the Institute for Progress estimated the average pendency for an unappealed *inter partes* reexamination as more than 3.5 years, and the expected pendency for appealed *inter partes* reexamination as at least 6.5 years.<sup>103</sup> Our survey of the *inter partes* reexaminations filed between 1/1/2000 and 5/31/2003 supports this expected pendency data for appealed *inter partes* reexaminations. Only four of the reexaminations filed during this period reached the stage where the BPAI has issued a decision. In each of those cases, the time period between the issuance of the right of appeal notice by the CRU and the issuance of the BPAI’s decision has been greater than three years.<sup>104</sup>

Reexamination pendency has attracted high-level scrutiny. For example, Chief Judge Paul R. Michel commented on the ability of the PTO to handle post-grant proceedings in an Address at the *Federal Trade Commission Hearing on the Evolving IP Marketplace*, held on December 5, 2008:

To me, the proposed alternative for weeding out bad patents is convincing. Can we really get a faster, better, and cheaper review of challenged patents at the PTO than in the courts? Experience with the existing PTO reexamination procedures raises doubts.

And the PTO is already overwhelmed by *ex parte* examination with average pendencies over three years, in some arts, far longer. Is it realistic to expect the PTO to be able to conduct a new form of *inter partes* reexamination faster and cheaper than the courts? And more accurately? Unless its new procedures, competencies, and powers can be clearly defined, how will we know what consequences would follow? How will we know this is not a mirage in the desert that looks like an oasis, but has no water?

At present, the apparent BPAI bottleneck threatens to dwarf any pendency driven by the CRU or even briefing before the Board. However, some practitioners note that at least seven months can pass between the filing of a notice of appeal, the patent owner’s brief, the third party requester response (if *inter partes*), and the examiner’s answer. In the *inter partes* reexaminations we analyzed, this time period is often longer due to the period of time between Respondent’s Brief and the Examiner’s Answer.<sup>105</sup> The authors note that these early filed cases may not be representative because each of these reexaminations was filed prior to the institution of the CRU. At this time, there is no way to determine whether the CRU will increase the speed of the appeal briefing process.

## ***B. Settlement***

Reexamination could help force an early settlement. For example, some practitioners suggest presenting a reexamination request to the opposing party patent owner prior to submitting the request to the PTO (*i.e.*, a “pocket reexamination request”). The idea is to encourage early settlement of pending litigation on favorable terms. The patent owner may need to be educated on the risks that reexamination poses to its patent-in-suit. Further, the patent owner will be put on notice of invalidity risks its patent-in-suit faces at trial. Even if a pocket reexamination does not immediately drive settlement, a grant of reexamination, or an Office Action that is adverse to the patent claims,

<sup>103</sup> *Reexamining Inter Partes Reexamination*, Institute for Progress (April 2008).

<sup>104</sup> See Reexamination Control Nos. 95/000,006, 95/000,009, 95/000,015, and 95/000,017.

<sup>105</sup> See, e.g., 95/000,006 and 95/000,017 (5 months between Respondent’s Brief and Examiner’s Answer); and 95/000,018 (18 months between Respondent’s Brief and Examiner’s Answer).

especially a final rejection, may improve the accused infringer's settlement negotiating position. Potential requesters should keep in mind, however, that once launched the reexamination bell cannot be unrung.

### C. *Litigation Stays*

Because the issue of patent validity is running concurrently in two separate proceedings, judicial economy would seem to counsel a stay of one or the other proceeding in all instances. In reality, this is far from true because each venue is bound by different rules and standards for assessing patent validity. Further, each venue is bound by very different rules and standards for determining whether a stay is appropriate, and each stay decision is highly fact specific. Some general patterns may be discerned, however, and these are described more fully below.

District court judges have inherent and almost unfettered control over their own dockets. A decision to stay a case is reviewed for abuse of discretion—a very difficult standard to overcome on appeal. Further, district court judges have great flexibility in the types of stays they issue. For instance, in one Eastern District of Texas case, Judge Everingham granted a motion to stay the litigation based on the accused infringer's *ex parte* reexamination request. In the order granting the stay, the court crafted a stipulation that the accused infringer must agree not to challenge the validity at trial of the patents-in-suit based on prior art patents or printed publications that were considered in the reexamination proceedings. Ordinarily, these estoppels only apply to *inter partes* reexams, and only after the proceeding has concluded. Further, the accused infringer was barred from directly or indirectly instituting any further reexamination proceedings, despite being statutorily allowed to do so.

Despite this nearly unfettered discretion, however, courts will generally consider at least the following high level factors in making stay determinations: (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2) whether a stay will simplify the issues at trial; and (3) whether discovery is complete and whether (or when) a trial date has been set. These broad factors are discussed more fully below.<sup>106</sup>

First, a court looks at the extent to which the non-moving party would be prejudiced in delaying the litigation. Inherent in this factor is consideration of reexamination pendency. Further, as noted above in the Hot Topics, the extent to which the parties are competitors should be considered carefully. In certain instances, the district court will mitigate any potential prejudice to the patentee by requiring a stipulation that the accused infringer will not challenge the patent on grounds considered during reexamination. By doing so, the court reasons, the patentee "is afforded both the advantage of *ex parte* proceeding and an estoppel effect."

Second, courts take into account the possibility of simplifying issues with a stay. Under this factor, the status of the reexamination is often considered. The further along the reexamination, the more likely a stay will be granted. Typically, stays are rarely granted on the basis of the reexamination grant and at least a first office action rejection is required. Of course, potential invalidation of the only patent-in-suit would simplify many issues, but cases are often more complicated. For example, an accused infringer may have a strong case for patent invalidity based on statutory subject matter or an on-sale bar. Reexaminations may not be instituted on this basis and the court may still, therefore, have to determine patent invalidity on these grounds if the patent survives reexamination on the prior art. As the PTO develops more information about the reexamination process, in particular the statistics of *inter partes* reexamination, courts will be better able to make an informed decision as to whether a stay will simplify a subsequent trial.

Finally, the court asks if discovery is complete and whether trial dates have been set. Judicial economy naturally favors requests made early in the litigation. Therefore, in view of (1) and (2)

<sup>106</sup> For a thorough and nuanced stay analysis, see Judge Selna's decision denying a motion to stay *Allergan Inc. v. Cayman Chemical Co.*, SACV 07-01316-JVS (CDCA April 9, 2009).

above, any patent challenger hoping to stay the more costly district court litigation should strive to get its reexamination filed as soon as possible and to request a stay of a co-pending litigation as soon as feasible. Denials due to premature requests are usually without prejudice and stay requests can be renewed based on developments during reexamination.

Of course, reexamination pendency remains a big factor. Consider this extreme example of a litigation stayed pending an *inter partes* reexamination: In July 2002, Harry Shannon filed an *inter partes* reexamination request (Control No. 95/000,005) challenging the validity of patent asserted in a patent infringement litigation in the Middle District of Florida (*Enpat, Inc. v. Shannon, et al*, 6:02-cv-00769). In September 2002, the District Court stayed the litigation pending a final decision on the validity of the claims by the PTO. In the reexamination proceeding, the right of appeal notice was issued by the CRU in August 2005, following an action closing prosecution. The appeal has yet to be decided by the BPAL. In May 2004, the district court directed administrative closure of the case pending final decision by the PTO. In that order, the parties were required to provide periodic status reports on the reexamination proceeding to the district court. In February 2005, the plaintiff Enpat filed an unopposed motion to dismiss the case without prejudice due to the pending reexamination request.

Judges deciding a motion to stay, or presiding over a concurrent litigation stayed pending a reexamination, may consider contacting the CRU.<sup>107</sup> The authors have been informed that calls from judicial clerks to the PTO have occurred. Some commentators argue that this ability to contact the CRU when deciding a motion to stay is a valuable tool to a judge deciding whether to grant a stay motion. What restrictions, if any, should be placed on communications between federal judges and CRU officials? Should these communications be limited strictly to procedural details or as fellow government officials should judges be provided less restrictive communication? These questions remain open.

If a party is successful in obtaining a stay in the district court litigation pending resolution of a reexamination, that fact immediately should be brought to the attention of the CRU. The CRU has set forth procedures to increase the pace at which reexaminations involved in concurrent litigations are handled. For example, in situations where a stay is granted in a concurrent litigation, the PTO will take up a reexamination request within six weeks of filing and “all aspects of the proceeding will be expedited to the extent possible.”<sup>108</sup> It is therefore critical for parties to keep the CRU informed of the status of the concurrent litigation.

Stays are also technically available in reexaminations. Unlike the district courts, however, the PTO does not have an unfettered ability to control its docket. The rules provide the ability for the patent owner to request a stay.<sup>109</sup> Generally, the PTO has been unwilling to grant such stay requests due to the statutory mandate to handle reexaminations with special dispatch. However, in an *inter partes* reexamination, the PTO may be amenable to a stay where the reexamination proceeding is at its beginning stages, the litigation is near a final resolution, and estoppel would render all issues in the reexamination moot when the litigation becomes final. To avoid a possible stay of the reexamination proceeding, the requester should file a reexamination request as early as practical in a concurrent litigation.

Finally, the Federal Circuit will not likely issue a stay of any case before it. If an appeal arrives from the BPAL, the Federal Circuit will rule and any decision adversely affecting the validity of any patent claim would trump any district court decision to the contrary. If an appeal from the district court arrives first, the Federal Circuit will likewise rule on the district court case. The PTO would be bound by any ruling invalidating a claim, but the reverse is not true. An unsuccessful validity challenge in the district court is not binding on the PTO as it reviews patent validity under different standards. To the extent that the cases arrive simultaneously at the Federal Circuit, the court

<sup>107</sup> The Office of Patent Legal Administration has a hotline for questions dealing with “Reexamination and Reissue legal and policy guidance.” The number is (540) 772-7703. The authors have found the staff to very helpful and responsive to all manner of requests.

<sup>108</sup> MPEP Section 2686.04.

<sup>109</sup> See 37 C.F.R. Sections 1.565(b) and 1.987.

may review the BPAI decision first. For instance, the Federal Circuit was presented in an appeal from a district court decision and from the BPAI on the same patent.<sup>110</sup> In the district court decision, a jury awarded over \$85 million for Hitachi's infringement of its patent. In a parallel decision, the BPAI found the patent to be invalid as obvious. Both appealed to the Federal Circuit. The Federal Circuit first heard the appeal from the BPAI and affirmed the patent's invalidity in a precedential decision. The Court then vacated the district court's decision and remanded for dismissal.

In the end, the best source for how a particular district court judge will deal with a motion to stay is local counsel. Local counsel should have their finger on the pulse of the court and its judges at any moment in time. For the PTO, stays are highly unlikely given the statutorily imposed mandate to deal with reexaminations with special dispatch. Finally, the Federal Circuit likely will deal with appealed cases as they are presented to it, without issuing any stay. This is especially true where the BPAI decision arrives prior to, or simultaneously with, a district court decision.

### *D. Impact on Trial*<sup>111</sup>

Can the existence of or developments in the reexamination proceeding, such as a final rejection of the claim(s) in suit, be brought to the attention of the jury, or is this inadmissible because it is too prejudicial? One patent litigator shared with the authors that her mock jury research indicated that the mere knowledge by the jury of the existence of the reexamination reduced the likelihood that the jury would find invalidity because it assumed that the PTO, the administrative agency expert in deciding validity, now had assumed responsibility for this issue. In effect, the jury would "punt" on the invalidity issue. Assuming this jury research is reproducible, it further argues that the judge should be concerned about the prejudicial impact on the jury of any information about the existence of or developments in the reexamination. Indeed, the possibility that unexpected developments in the reexamination could be admissible at trial has been the basis for some trial counsel choosing not to seek reexamination even when there is strong prior art.<sup>112</sup>

However, at least one district court decision deemed non-final reexamination proceedings to be too prejudicial to present to a jury.<sup>113</sup> In that case, the court ruled that "without any [final] conclusions of the PTO to rely upon, evidence that the PTO is currently reexamining the patent may work to unduly alleviate Defendants' 'clear and convincing' burden for both invalidity and willfulness in front of the jury." Similarly, the Federal Circuit recently recognized that "a requester's burden to show that a reexamination order should issue from the PTO is unrelated to a defendant's burden to prove invalidity by clear and convincing evidence at trial."<sup>114</sup> If the trend of these recent decisions continue, it may be difficult to get any evidence at all related to reexamination proceedings before a jury.

Finally, some trial counsel take the view that, if the prior art is not successful before the CRU, it will be even less successful before the court. This is based on the use of *KSR* at the PTO, the broader claim construction rules at the PTO, and the lower burden of proof of invalidity at the CRU. To put it in sound bite terms – "If you can't win it at the CRU, then you have even less chance to win it in court." Such counsel take this view particularly in jurisdictions having a reputation for upholding the validity of patents.<sup>115</sup>

110 *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2008).

111 This is a "hot topic" based on discussions with many top trial counsel. While it is still anecdotal, it appears that the more "trial experienced" the counsel is, the less she is concerned that the existence of or developments in a concurrent reexamination will be allowed by the judge to be brought to the attention of the jury. We solicit feedback on this topic.

112 This concern seems to be intertwined with several factors. The first is that many judges have little practical knowledge about reexaminations and what really happens at the CRU or the BPAI. They could be "easily swayed" by initial developments from the CRU, whether it is rejection of all of the claims or allowance of some of the claims in suit in the first office action. The second is that some judges would like to defer to the PTO the validity issue. The third is the possibility of a litigation stay, which if granted initially and then lifted later could present a dilemma in explaining to the jury why there has been a time delay in the suit.

113 *Microsoft Corporation et al. v. Commonwealth Scientific & Industrial Research Organisation*, 6-06-cv-00549 (April 9, 2009 EDTX) (Judge Davis).

114 *Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848 (Fed. Cir. 2008).

115 The court of particular interest is the USDCT EDTX. The perception is that most of the judges in this "pro-patent" court resent the intrusion of the reexamination process into their judicial proceeding. Thus, the concern is that if there is a "favorable" development in the CRU for the patent owner, the judge would be more inclined to let the jury know of this development than if there has been an "unfavorable" development. Trial counsel who have faced this issue with these judges observe that there is a low likelihood that the judge will allow any developments in the reexamination to be brought to the attention of the jury because they need to be balanced on such admissibility determinations. As one trial counsel put it in opining that all developments in reexaminations will be excluded from the jury, is that the balanced approach of exclusion will be based on the adage of "what is good for the goose [patent owner], is good for the gander [third party requester]."

### E. Damages

Official PTO statistics (provided below) indicate that approximately two-thirds of patents that emerge from reexamination result in some change to their claims—ten percent of claims are canceled outright.<sup>116</sup> Where claims are substantively amended, the accused infringers may not be liable for past damages under intervening rights law. This can be crucial where the patent term is short or the accused infringers have clear and inexpensive design-around options.

More specifically, substantive amendments made during reexamination may defeat damages for past infringement under the statutory doctrine of intervening rights.<sup>117</sup> A patent owner cannot seek damages for claims that are not substantially identical to the original claims.<sup>118</sup> There is no *per se* rule for determining whether a claim is not “substantially identical.”<sup>119</sup> The analysis includes examining “the claims of the original and the reexamined patents in light of the particular facts, including prior art, the prosecution history, other claims, and any other pertinent information.”<sup>120</sup> The determination is a legal one, and a claim is changed if its scope is changed.<sup>121</sup>

If a claim is not substantially identical, then a patentee may not seek damages for product sales prior to issuance of the reexamination certificate. If damages have already been awarded, a defendant may seek to have damages vacated since the claims were void *ab initio*. Again, because of the potential impact on damages, reexamination requests should be filed on all patents-in-suit, if possible, and on all the asserted claims.

Accused infringers should consider the following CRU statistics as of March 31, 2009:

- 73% of *ex parte* reexaminations initiated by a third party, reaching the issuance of Reexamination Certificate, resulted in some or all of the claims being canceled or amended. Only 27% survived with all claims being confirmed.<sup>122</sup>
- 73% of *inter partes* reexaminations completed resulted in all claims being canceled, while 93% resulted in some change to the claims. Only 7% survived with all claims being confirmed.<sup>123</sup>

A full set of current CRU statistics is included at the end of this paper.<sup>124</sup>

### F. Potential Risks for Accused Infringers

The clearest risk for an accused infringer is that at least one asserted patent claim survives the reexamination process unamended and without any adverse prosecution history estoppels. The reexamination may allow the patent owner to have the CRU consider all of the prior art in the litigation and to present arguments and declarations that support patentability of the claims over this prior art. This could include, for instance, possible secondary (objective) considerations of non-obviousness that were not present when the claims were originally prosecuted.

An *ex parte* reexamination may also give the patent owner a significant advantage in dealing with the prior art because, once begun, the third party requester is excluded from the process, while the patent owner can interview the examiner. Although the court can find a patent invalid even if it

<sup>116</sup> Some critics assert that there is insufficient granularity in these PTO statistics to reflect situations where some, but not all, asserted claims are either found to be invalid or are substantially amended.

<sup>117</sup> 35 U.S.C. Sections 252, 307(b), 316(b).

<sup>118</sup> *Bloom Eng'g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997).

<sup>119</sup> *Lairam Corp. v. NEC Corp.*, 952 F.2d 1357, 1358 (Fed. Cir. 1991).

<sup>120</sup> *Id.* at 1362-63.

<sup>121</sup> *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir. 1989).

<sup>122</sup> As of March 31, 2009, 6743 *ex parte* reexamination certificates have been issued by the PTO. This represents approximately 70% of all *ex parte* reexaminations granted. Recall that *ex parte* reexaminations may also be initiated by request of the patent owner or the PTO Director.

<sup>123</sup> As of March 31, 2009, only 55 *inter partes* reexamination certificates have been issued. This represents approximately 10% of all reexamination requests granted by the PTO.

<sup>124</sup> The PTO updates these statistics quarterly. See <http://www.uspto.gov/web/patents/cru.html>.

survives reexamination, most judges likely will defer to the presumed administrative expertise of the PTO, CRU, and BPAI.

Further, putting an asserted patent into reexamination could allow the patent owner to correct other defects in the patent, such as potentially ambiguous claim language, antecedent basis problems, or other perceived issues with the claims. This is especially true with newly issued patents where the potential for damages lies in the future, rather than with past damages. In the same vein, patent owners can also add claims during reexamination, provided that the added claims are not broader in scope than the original claims. The added claims could strategically cover aspects of the accused infringing products not included in the issued claim set, although prohibitions against broadening amendments may bar such activity.

Finally, a reexamination request filed early on in the litigation could impact trial. This is especially true where the PTO decisions are favorable to patentability. However, as noted above, there are questions and concerns as to the admissibility of any non-final PTO action at trial.

### ***G. Timing of Reexamination Requests – When to File?***

Once a decision is made to proceed with a reexamination strategy, one of the most important considerations is deciding when to file. The timing of a reexamination request ultimately will be determined by the requester's overall goals.

Early filing should be considered where the goal is to stay a more costly district court litigation until the validity of the asserted patent is adjudged by the PTO. Most courts will not consider staying the litigation until at least a first office action rejection is received. Statistics indicate that the issuance of the first office action could be one year or more after the request is granted and a filing date is accorded in an *ex parte* reexamination request. In an *inter partes* reexamination, the rules state that “[t]he order for *inter partes* reexamination will usually be accompanied by the initial Office action on the merits of the reexamination.”<sup>125</sup> In the authors' experience, however, this is not always the case, particularly with the increased popularity of *inter partes* reexaminations in the past two years.

Early filing is also highly recommended where the reexamination is launched as an insurance policy against an adverse district court decision. Overall, at least two years are typically necessary for a final decision from the CRU<sup>126</sup>—waiting too long to file a request could reduce the effectiveness of such a strategy. For such strategy, keeping tabs on the trial date is a must.

Sometimes, seeking a litigation stay is not feasible. Further, there is always a chance that an adverse decision by the CRU could have a negative impact on trial. In such cases, it may be desirable to delay reexamination filing to a point somewhat less than one year prior to trial. This mitigates the chance of an adverse CRU decision impacting trial, but may still be early enough for the reexamination to have a positive impact.

In some cases, parties have waited until after an adverse trial decision to file a reexamination request. Appeals to the Federal Circuit are notoriously uncertain, and a remand on an issue of claim construction or damages, for example, could result in a new trial on those issues. In this case, a reexamination may have time to run its course prior to a subsequent final decision or appeal.

Finally, reexaminations should also be considered as a settlement tool. Early preparation of a “pocket reexamination” to show to the patent owner could help drive negotiations in favor of an accused infringer. Even if the reexamination is not immediately filed, the efforts in preparing the pocket reexamination are directly applicable to an accused infringer's invalidity case and would likely not be wasted.

---

<sup>125</sup> 37 C.F.R. Section 1.935.

<sup>126</sup> The CRU has indicated an internal goal of 24 months from instituting the *inter partes* reexamination request to final office action.

Given the above timing considerations, the authors recommend considering the following factors:

1. What overall goals should a reexamination strategy accomplish?
2. When is the trial scheduled and how firm is the trial date?
3. How has the court reacted to reexaminations in the past?
4. How strong is the prior art and are there one or more SNQs to support one or more proposed grounds of rejection?
5. Are *all* of the asserted claims subject to an SNQ?
6. How complicated is the invalidity case and what are realistic chances of success before a jury or judge?
7. Are there pertinent dates on the discovery docket that might counsel delay in filing—*e.g.*, after close of discovery to ensure all discovered prior art is included or after inventor depositions?

One additional consideration was raised in a recent Federal Circuit decision where a party attempted to obtain relief from a final judgment under FRCP 60(b)(6) based on alleged disclaimers made during post-trial reexamination.<sup>127</sup> In this case, the accused infringer waited until the district court's entry of judgment to file its reexamination request. The reexamination had progressed to a point where the patent owner had to respond to an office action rejection. In that response, the patent owner allegedly made "representations to the [PTO]" the "limited the scope" of one of the accused claims.<sup>128</sup> The district court denied the Rule 60(b)(6) motion stating that the accused infringer "waited until after judgment in this case to file its Petition for Reexamination, while simultaneously failing to appeal the jury's finding of validity."<sup>129</sup> Because Rule 60 motions are reviewed under an abuse of discretion standard and typically require "extraordinary circumstances," the Federal Circuit affirmed the decision.

Nonetheless, the authors can envision circumstances where a motion under Rule 60 might be granted. For instance, if the reexamination is timely filed and the patent owner voluntarily amends the asserted claims, or the asserted claims are finally declared invalid, after a final judgment is reached in the district court on the original claims, it seems relief from such a final judgment would be warranted. We are not aware of such a case, but relief under Rule 60 opens another potential window of time where a positive reexamination result could be useful.

#### ***H. Multiple Ex Parte Reexamination Requests***

Where a party has a choice in filing an *ex parte* or *inter partes* reexamination request, what considerations go into the choice? One factor to consider is that there is no legal limit on the number of *ex parte* reexamination requests that can be filed. However, the bar for establishing a valid SNQ may become higher with each reexamination request. Because the Examiner makes a determination whether a reference raising an SNQ is cumulative to earlier considered art, the more references already considered raises the bar for references in subsequent reexamination requests.

In what situations should multiple *ex parte* reexamination requests be considered? The ability to file more than one request can be a valuable tool where the patent owner is seen to

---

<sup>127</sup> *Amado v. Microsoft Corp.*, 517 F.3d 1353 (Fed. Cir. 2008).

<sup>128</sup> *Id.* at 1363.

<sup>129</sup> *Id.*

mischaracterize the prior art, to make inconsistent statements between the reexamination and the parallel court proceeding, or where there is newly discovered prior art that surfaces after the previous reexamination request has been filed.

Another factor to consider is the impact that multiple or “rolling” reexamination requests may have on a district court judge. Could multiple reexamination requests impact an already granted litigation stay? At least one district court precluded an accused infringer from filing further *ex parte* reexamination requests as a condition of granting its motion to stay a litigation on the eve of trial.<sup>130</sup> The ability to file subsequent reexamination requests may be an important tool in an overall *ex parte* reexamination strategy and relinquishing that ability should be carefully considered.

On March 1, 2005, the PTO issued the “Notice of Changes in Requirement for a Substantial New Question of Patentability for Second or Subsequent Request for Reexamination While an Earlier Filed Reexamination is Pending.” In the Notice, the PTO set forth a new policy:

Under the new policy, the second or subsequent request for reexamination will be ordered only if that old prior art raises a substantial new question of patentability that is different than that raised in the pending reexamination proceeding. If the old prior art cited (in the second or subsequent request) raises only the same issues that were raised to initiate the pending reexamination proceeding, the second or subsequent request will be denied.

. . . Further, 35 U.S.C. 303(a) states “[w]ithin three months following the filing of this title, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request.” It is reasonable to interpret this provision as requiring each request for reexamination to raise its own substantial new question of patentability as compared not only to the original prosecution (in the application for the patent) and any earlier, concluded reexamination proceedings, but to pending reexamination proceedings as well.

*Id.*

When faced with the specter of multiple reexamination requests, a patent owner may consider filing a petition with the PTO arguing that subsequent reexamination requests are being filed for the purposes of harassment or to delay prosecution of a pending request.<sup>131</sup> If the prior art provided in the subsequent request unquestionably presents a new SNQ, the petition may not have a high likelihood of success. However, when coupled with an argument that the SNQs in the subsequent reexamination requests are cumulative, these petitions may be successful. This should also be a consideration when determining whether to file multiple reexamination requests.

## ***I. Additional Strategic Questions to Consider***

### ***1. Withholding of prior art***

Should an accused infringer withhold prior art from a reexamination request? If the reexamination request was an *ex parte* request, such art could become the basis for subsequent reexamination requests, if necessary and non-cumulative. If the reexamination request was an *inter partes* request, the withheld art may still be available for use at trial. Estoppel does not attach to the withheld [or applied] art until a final decision is reached in the *inter partes* reexamination proceeding.<sup>132</sup> Therefore, in litigation with concurrent *inter partes* reexamination proceedings, the

<sup>130</sup> See *Visto Corp. v. Research in Motion Ltd.*, No. 2-06CV-181 (E.D. Tex. complaint filed Apr. 28, 2006).

<sup>131</sup> See MPEP Section 2240.

<sup>132</sup> 35 U.S.C. Section 317(b).

withheld [or applied] art could be “ripped” from the litigation if the reexamination finishes before the litigation, and *vice versa*.

The authors are aware of some district court judges who have crafted stays to preclude the third party requester from using art that could or should have been brought during the reexamination proceeding. Also note that there are express limitations regarding subsequent submissions of prior art in *inter partes* reexaminations.

Further, the trial team may be subject to the PTO’s duty of disclosure requirements, as discussed above.<sup>133</sup> If the withheld art was disclosed during the litigation, for example as part of the accused infringer’s invalidity contentions, then the patent owner or the patent owner’s reexamination team may have the ability, or indeed the duty, to submit that withheld art and have it considered during the reexamination. One question to consider is whether the litigation team’s knowledge of material prior art could be imputed to a patent owner. In short, many traps exist for the unwary, and patent owners must take care to avoid conduct that could result in inequitable conduct charges.

## 2. Experts’ independence

Should technical or legal experts have access to reexamination requests not yet filed prior to preparing reports? Also, do experts have a role in preparing a reexamination request? It is becoming increasingly clear that post-*KSR* obviousness battles will likely require expert testimony in the form of affidavits or declarations. Care must be taken by both parties to a litigation that expert testimony in the form of affidavits in the reexamination before the PTO is consistent with any expert testimony or reports to be used at trial, and *vice versa*. A potential impeachment or inequitable conduct minefield awaits the uninformed.

Another question to consider is whether an expert is an “individual associated with the patent owner” in the context of the Rule 56 duty of disclosure. Put differently, does a patent owner have the duty to inquire of their experts if they know any references that should be cited?

## 3. Privilege issues

Is there a waiver of privilege when a PTO submission, prosecution event, or meeting uses litigation work product or reveals trial strategy? The patent owner has an obligation to inform the PTO of any concurrent district court litigation in *ex parte* and *inter partes* reexaminations. While the CRU monitors the concurrent litigation, it is prudent for the patent owner to view this as an ongoing duty. For *inter partes* reexamination, any person can file a paper notifying the PTO of a concurrent proceeding.

If a party thinks information must be disclosed, the protective order should specify procedure for the parties to “meet and confer” to resolve any disclosure issues. If parties cannot agree, then the issue may need to be raised to the presiding judge. One way to protect information that a party feels must be disclosed, but is designated under the protective order, is filing the information under seal at the PTO with a petition to expunge at the conclusion of the proceeding.<sup>134</sup> The PTO specifies detailed procedures for filing information under seal in pending applications. The information to be protected is submitted in a labeled, sealed envelope. A petition to expunge the information accompanies the sealed documents. If the examiner does not believe the sealed information is material to patentability, the petition is granted and the information is expunged from the file. If the information is deemed material to patentability, the petition is denied, the information will become part of the application record, and the information will be available to the public.

<sup>133</sup> See 37 C.F.R. Sections 1.555, 1.933; see also Section II.A.3., *supra*.

<sup>134</sup> See MPEP Sections 724.04 - 724.06.

It is important to note, however, that the information filed under seal may be made public at the conclusion of the reexamination process. Therefore, the court and the party owning the confidential information should be involved in the decision to disclose and how the disclosure is made to the PTO.

#### 4. *Fast courts versus slow courts*

How might the perceived speed of a court affect a decision to file a request for reexamination? Since the average pendency of a reexamination through the CRU, the BPAI, and the Federal Circuit is 48 to 96 months, is the vehicle of reexamination more suitable for a slow court? As noted herein, the timing of a reexamination request depends on the requester's overall goals. If the purpose of a threatened reexamination is to drive settlement, then the speed of the court is irrelevant. If the goal of the reexamination request is to stay the litigation, then speed of request is paramount.

ITC patent actions are notoriously fast and bear some special attention. As most readers are aware, ITC investigations proceed more quickly than district court actions. Some reports indicate that an ITC investigation is generally completed within 15 months, whereas the average patent litigation in district court takes approximately 22 months.<sup>135</sup> In the past, the speed with which the ITC had to proceed was strictly mandated by statute. Since the statute was amended in 1994, the ITC now must "conclude any such investigation and make its determination under this section at the *earliest practicable time* after the date of publication of notice of such investigation."<sup>136</sup>

Due to this statutory mandate for a swift investigation, it should not be surprising that the ITC is hesitant to stay its investigations. One recent ITC case confirms the ITC's reluctance. In this case, the presiding administrative law judge ("ALJ") granted a stay pending reexamination of the patents-in-suit.<sup>137</sup> On appeal to the Commission, the stay was rejected, and proceedings were reinstated. The defendant petitioned the Federal Circuit for a *writ of mandamus* that the stay be reinstated. The Federal Circuit refused to reinstate the stay, finding that the Commission had justified its action and that hardship, inconvenience, and avoidance of a particularly complex trial are not sufficient reasons to grant *mandamus*.

At the same time, however, the ITC has not adopted any *per se* rule regarding staying an investigation in light of a concurrent reexamination at the PTO. Rather, the ALJ will weigh several factors, including: (1) the stage of discovery and the hearing date; (2) the issues in question and trial of the case; (3) the undue prejudice or clear tactical disadvantage of any party; (4) the stage of the reexamination at the PTO; (5) the efficient use of ITC resources; and (6) the availability of alternative remedies in federal court.<sup>138</sup> In certain instances, the ALJ will extend the target date for completion of the investigation in view of a concurrent reexamination proceeding.

Because of the speed with which the ITC conducts its investigations, litigants should expect an ITC investigation to proceed on its normally rapid pace with a low likelihood that the ALJ will stay the investigation.

#### 5. *Cases with multiple defendants*

In cases with multiple accused infringers, how should a patent owner deal with reexamination threats by a single defendant, or a plurality of defendants? For the multiple defendants contemplating a reexamination strategy, what if the defendants are not of a single mind when it

<sup>135</sup> See Vivek Koppikar, *Evaluating the International Trade Commission's Section 337 Investigation*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 432, 433 (2004).

<sup>136</sup> 19 U.S.C. Section 1337(b)(1) (emphasis added); see also 19 C.F.R. Section 210.2 ("It is the policy of the Commission that, to the extent practicable and consistent with requirements of law, all investigations and related proceedings under this part shall be conducted expeditiously. The parties, their attorneys or other representatives, and the presiding administrative law judge shall make every effort at each stage of the investigation or related proceeding to avoid delay.")

<sup>137</sup> *In re Freescale Semiconductor, Inc.*, Misc. No. 875, 2008 WL 2951399 (Fed. Cir. June 25, 2008) (non-precedential) (order denying "petition for a writ of mandamus to direct the [ITC] to vacate its opinion denying petitioner's motion for stay pending reexamination of the patents at issue" in Investigation No. 337-TA-605).

<sup>138</sup> *In re Certain Personal Computer/Consumer Electronic Convergent Devices, Components Thereof and Products Containing Same*, Inv. No. 337-YA-558, ALJ Order No. 6, 2006 ITC Lexis 52, at \*12-\*22 (U.S.I.T.C. Feb. 7, 2006) (order granting temporary stay).

comes to reexamination strategy? Should reexamination be explicitly dealt with in any joint defense agreement? Again, any reexamination request can be timed so that it will not likely affect any trial proceedings. A requester could further allay fears by committing to the other non-participating defendants not to request a litigation stay should the claims be rejected by the PTO. Of course, a consensus strategy is most desirable, but nothing is likely to bar a single defendant from launching a reexamination request if it believes its interests are best served by doing so.

One final consideration is how the “real party in interest” rule is addressed in multiple-defendant cases, as discussed above. Do the requester’s non-participating co-defendants fall under the estoppel provisions? If not, could the same art be “litigated” at the PTO and at the district court by these non-participating defendants?

### **6. The judge’s perception of reexamination requests**

Might a judge view a reexamination request as usurping the judge’s authority? Does it help if the reexamination request is submitted by counsel not associated with trial counsel? Keep in mind that *ex parte* reexamination requests may be filed anonymously. Could it be in the requester’s interest, where there is co-pending litigation, to anonymously file the reexamination request? Patent owners should consider interrogatory and/or production requests directed to whether the accused infringers have filed a reexamination request or caused a reexamination request to be filed.

Historically, many district court judges viewed reexaminations, particularly *ex parte* reexaminations, with disbelief and have been reluctant to grant stays especially if their court operates on a “fast track.” More recently at Sedona discussions, some judges have expressed the view that they may rethink their approach in the future now that the CRU has been created and the PTO statistics seem to indicate prompt processing of reexaminations and a high probability of the reexamination resulting in some or all of the claims being found unpatentable. However, other judges are troubled by the time delay of reexaminations.<sup>139</sup> Litigants thus should pay special attention in the court filings relating to stays to explain the current reexamination environment.

### **7. Impact on laches**

Do reexamination proceedings or the issuance of a reexamination certificate have any impact on the six-year statutory laches provisions of 35 U.S.C. Section 286. A recent decision by the Federal Circuit seems to indicate that a reexamination certificate will not restart or impact the six-year laches presumption for enforcing an issued patent.<sup>140</sup>

### **8. Duty of disclosure**

It is clear that the patent owner remains under a duty of disclosure while the patent is in reexamination proceedings under 37 C.F.R. Sections 1.555 and 1.933. Further, a third party requester participating in an *inter partes* reexamination owes a duty of candor and good faith to the PTO under 37 C.F.R. Section 11.18. The ongoing duty of disclosure for the patent owner raises some interesting strategic questions that we consider below.

For instance, who should handle the reexamination? Options include using patent attorneys from the trial team, or prosecution attorneys from the litigating law firm. Alternatively, outside patent attorneys or patent attorneys inside the patent owner’s company could be used. Critical issues to consider include efficiencies, maintenance of privilege, and perhaps most importantly, compliance with protective orders. Best practices may warrant use of outside patent attorneys for the prosecution of the reexamination who are walled off from the litigation team, especially where the protective order includes a non-prosecution clause.

<sup>139</sup> See Order Denying Sun Microsystems, Inc.’s Renewed Motion For Partial Stay in *Network Appliance Inc. v. Sun Microsystems, Inc.*, United States District Court for Northern District of California (C-07-06053), issued November 4, 2008, (citing Sedona PL08 version of this paper).

<sup>140</sup> See *Serdarevic v. Advanced Med. Optics, Inc.*, 87 U.S.P.Q.2d 1481, 1484-85 (Fed. Cir. 2008) (holding that the presumption of laches applied against inventorship claim despite intervening reexamination proceeding).

Another strategic question is determining what to cite to the CRU. The MPEP requires citation of “patents or printed publications which (A) are material to patentability in a reexamination proceeding, and (B) which have not previously been made of record in the patent file.”<sup>141</sup> Validity decisions in reexamination may not be made on the basis of fraud on the Office, or on the basis of prior use or sale. Therefore, the patent owner arguably has fewer categories of potentially relevant material to cite to the PTO. However, it appears as if the obligation remains to disclose the same broad scope of prior art printed publications as would be the case in the original prosecution.<sup>142</sup>

However, because the prevalence of inequitable conduct charges in patent litigation remains unabated,<sup>143</sup> many reexam practitioners reasonably err on the side of caution in preparing information disclosure statements. For instance, in the recent case of *Larson Mfg. Co. v. Alumintart Prods. LTD.*,<sup>144</sup> the district court found a reexamined patent to be unenforceable for failure to cite information from a related copending application. Specifically, the patent owner failed to cite a number of references applied in the copending application, as well as two office actions where the application examiner had considered the same art as the CRU examiner. The Federal Circuit overturned the inequitable conduct charge finding that the uncited references were cumulative. But in doing so, the Court also determined that the office actions *were* material. The case was remanded to consider whether the requisite intent was present as to the uncited office actions. There was no mention by the Court of the fact that the MPEP does not appear to require citation of material “previously . . . made of record in the patent file.”

Arguably the patent owner is required in the reexamination to disclose the same broad scope of prior art as would be the case in the original prosecution. The result of cases such as *Larson Mfg.* is that the filing of an IDS of voluminous length citing all types of prior art uncovered in the course of a concurrent patent litigation are regularly filed in reexamination proceedings—filings that include re-citation of all the art previously filed in any parent or otherwise related applications, during regular prosecution. Where a patent owner feels compelled to cite material that may not be strictly required by the MPEP, it may simplify matters for the CRU. There are many examples of IDS filings in reexaminations where hundreds and hundreds of possible prior art items disclosed during a concurrent litigation are dumped on the CRU by using separate IDS pleadings for different categories of information. For instance, one pleading may clearly cite to art previously cited during original prosecution of related applications, while a second pleading may cite to art newly discovered during the concurrent litigation or ITC investigation. The CRU examiner can then more easily discern what she may consider relevant to a particular case.

Yet another strategic question revolves around what information to cite from a co-pending district court litigation or ITC investigation. The MPEP states that the duty of disclosure under Rule 555 “is consistent with the duty placed on patent applicants” by Rule 56. In that regard, Rule 56 requires citation of “[i]nformation from related litigation.”<sup>145</sup> Such information includes “pleadings, admissions, discovery including interrogatories, depositions, and other documents and testimony.”<sup>146</sup> Such categories of information may include assertions that are contradictory to assertions made to the examiner. Where there are concurrent litigation or ITC investigation proceedings, these classes of information must be continually monitored and cited to the office where relevant. Again, because of the prevalence of inequitable conduct charges, many practitioners err on the side of caution and are reasonably over-inclusive in this regard. If information is cited that is beyond the scope of the reexamination proceedings—e.g., information related to allegations of prior sale or use—the CRU will simply note the issue as unresolved.<sup>147</sup>

---

141 MPEP Section 2280.

142 See MPEP Section 2280 and 2684.

143 *Larson Mfg. Co. v. Alumintart Prods. LTD.*, 559 F.3d 1317 (Fed. Cir. 2009) (“The ease with which inequitable conduct can be pled, but not dismissed, is a problem of our own making.”) (Concurring Opinion) (J. Linn).

144 *Id.*

145 MPEP Section 2001.06(c).

146 *Id.*

147 MPEP Section 2280.

However, the reexamination proceeding is strictly limited to considering prior art in the categories of patents, printed publications and admissions, and cannot address other forms of prior art such as public use, offer for sale, public knowledge, etc. Considerable CRU resources are wasted by Examiners considering art that cannot form the basis of a rejection of the original issued claims in a reexamination.<sup>148</sup> However, only submitting patents and printed publications in an IDS does not relieve the patent owner and its reexamination attorneys of the risks of violation of the duty of disclosure and possibly committing inequitable conduct.

Further, 37 C.F.R. Section 11.18 requires the patent owner's reexamination attorneys to conduct a reasonable inquiry of submissions to the PTO, which means that some level of review of each prior art submission should be done prior to filing. Currently, it seems that due to the risk of inequitable conduct, patent owners are erring of the side of voluminous IDS filings and are not culling out possible prior art that does not fit into the categories of patents, printed publications, and admissions.

Throughout the *inter partes* reexamination proceeding, the patent owner also has an obligation to "call the attention of the Office to any prior or concurrent proceedings in which the patent is or was involved, including but not limited to interferences, reissue, reexamination, or litigation and the results of such proceedings."<sup>149</sup> Additionally, any party may file a paper in an *inter partes* reexamination proceeding notifying the Office of the same. How much information is a party required to submit from a concurrent litigation? Is bare notice of a concurrent proceeding sufficient to meet the obligation imposed by Rule 985? Many patent owners are submitting voluminous court documents from concurrent litigation. Many of these documents would not qualify as prior art during original prosecution or reexamination prosecution.

One unresolved issue in this regard is the extent to which the duty of disclosure under Rules 555 and 933 would apply to a patent owner's trial team. What if the trial team is completely barred by the protective order from participating in the prosecution of a concurrent reexamination? How high and impervious must the wall be between the trial team and the reexamination team to avoid implicating the duty of disclosure rules? What if one or more members of the trial team are registered patent attorneys? What disclosure obligations does a patent owner have, and can these obligations be avoided by remaining intentionally ignorant of prior art or other potentially relevant information that is confidentially disclosed over the course of the litigation?

These are very important questions as the trial team is likely to become aware of material prior art or other material information either through its own investigation or simply through the accused infringer's disclosure of its invalidity contentions. At least one recent district court decision suggests that the duty of disclosure does NOT trump a trial attorney's obligations under the protective order to maintain the confidentiality of protected information.<sup>150</sup> As a final matter, while possibly not under the same duty of disclosure as a patent owner, the requester nonetheless has the duty of candor during the PTO proceeding, as that Rule 11.18<sup>151</sup> applies equally to both reexaminations and all other proceedings before the PTO.<sup>152</sup>

## V. BASIC REEXAMINATION PRACTICE

### A. Generally

As noted above, reexamination can be *ex parte* or *inter partes*. In *ex parte* reexamination, a third party requester will receive copies of office actions and patent owner replies, but cannot

<sup>148</sup> If a Patent Owner chooses to add new claims or amend claims during a reexamination proceeding, the added language is subjected to a broader examination, similar to that of an examination of an original application. For example, the new claim or new limitation is considered for compliance under 35 U.S.C. Section 112. See MPEP Section 2258.II. Furthermore, some practitioners argue that non-patent, non-publication prior art (e.g., prior use, prior offer for sale) is material to new claims and/or new limitations added during reexaminations.

<sup>149</sup> 37 C.F.R. Section 1.985; see also Section 1.565 for similar *ex parte* rule.

<sup>150</sup> See Hor Topics Section C.

<sup>151</sup> 37 C.F.R. Section 11.18.

<sup>152</sup> The uncertainty between the required and also preferable bounds of the duty of disclosure in reexaminations and the ever present specter of a violation of the duty of disclosure, where even many at the PTO will say they do not know where the real lines are, is argued by some as just another example of why significant change in the law of inequitable conduct (or the duty of disclosure) needs to occur, whether by court decision or legislative change.

otherwise participate in the reexamination proceeding, and cannot appeal PTO decisions. In *inter partes* reexamination, when the patent owner submits a reply to an office action, the third party requester is entitled to file comments in response thereto. The third party's comments must, however, be limited to issues raised by the office action or in the patent owner's response. The third party requester is entitled to certain appeals, but is also subject to certain estoppels. Both *ex parte* and *inter partes* reexaminations are discussed below.<sup>153</sup>

In order to assure timely delivery of papers, both the third party requester and patent owner should provide the PTO with current correspondence address information. In the past, both the patent owner and third party requester utilized the same form when changing correspondence address. The use of the same form resulted in situations where the patent owner correspondence address was used by the PTO as the third party requester correspondence address. The PTO has recently introduced a "Patent Owner Change of Correspondence Address" form, and a separate "Third Party Requester Change of Correspondence Address" to address these concerns.

### **B. The Request and the SNQ**

Rule 1.510(b) sets forth the mandatory elements of an *ex parte* reexamination request, and Rule 1.915(b) sets forth the mandatory elements of an *inter partes* reexamination. Both *ex parte* and *inter partes* reexamination requests require: (1) a statement pointing out each SNQ, and (2) a detailed explanation of the pertinence and manner of applying cited patents and printed publications to every claim for which reexamination is requested.

The SNQ must be based on prior patents and/or printed publications.<sup>154</sup> Other patentability issues, such as prior public use or insufficiency of the disclosure, will not be considered for instituting a reexamination.

The PTO will only reexamine those claims for which a SNQ is alleged and found. The PTO will consider an undated document if it is accompanied by reliable evidence, such as an affidavit or deposition transcripts, supporting an asserted publication date. Where a reference originated with the patent owner, the CRU might consider issuing a request to the patent owner for additional information under 37 C.F.R. Section 1.105. For reexaminations ordered on or after November 2, 2002, a finding of an SNQ, and claim rejections, can be based solely on previously cited/considered "old" prior art, or in combination with other prior art.<sup>155</sup>

The request must also include an identification of every claim for which reexamination is requested, and a detailed explanation of the pertinence and manner of applying each of the cited prior art to every claim for which reexamination is requested.<sup>156</sup> Failure to address each submitted reference in the detailed request will result in a denial of a filing date.

It is not uncommon for reexamination requests, particularly *inter partes* reexamination requests, to have hundreds of pages. Some commentators note that such lengthy requests are unduly long and amount to an abuse of the reexamination process. However, other commentators note that, particularly in *inter partes* reexamination where the requester is faced with "use it or lose it" estoppel provision for known references, a third party requester is forced into lengthy requests in order to fully develop all SNQs available when the reexamination request is filed.

The filing date of the reexamination request starts the two-year period in which the PTO strives to issue a final office action or otherwise conclude the reexamination proceeding. The CRU and its staff are known to be hyper-technical in reviewing reexamination requests. Any procedural

153 Other practitioners and commentators have provided summaries of the mechanics of reexamination practice. See, e.g., J. Steven Baughman, *Reexamining Reexaminations: A Fresh Look at the Ex Parte and Inter Partes Mechanisms for Reviewing Issued Patents*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 349, 360 (2007); Roger Shang & Yar Chaikovsky, *Inter Partes Reexamination of Patents: An Empirical Evaluation*, 15 *Tex. Intell. Prop. L.J.* 1 (2006); Sherry M. Knowles, et al., *Inter Partes Patent Reexamination in the United States*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 611 (2004).

154 37 C.F.R. Sections 1.510(b)(1), 1.915(b)(3).

155 MPEP Sections 2242(II)(A), 2258.01(A).

156 *Id.* Sections 1.510(b)(2), 1.915(b)(3).

defects will cause the reexamination request to be rejected. We recommend close adherence to the guidelines outlined in the MPEP, and to the rules in the C.F.R. We also recommend obtaining publicly available recent requests (*i.e.*, after the latest amendments to 37 C.F.R. Section 1.915 and Section 1.510) that have been successful to use as a template.

### C. Ex Parte Reexamination

*Ex parte* reexamination can be requested by a patent owner or any third party requester at any time during the enforceability of a patent.<sup>157</sup> Subsequent requests for *ex parte* reexamination by a third party requester are permitted, provided the prior art raising the new SNQ is not cumulative to prior art previously considered. Co-pending reexamination proceedings may be merged.<sup>158</sup> The patent owner is not permitted to broaden the scope of claims during *ex parte* reexamination.<sup>159</sup> A third party requester can petition the PTO Director to review a determination refusing *ex parte* reexamination.<sup>160</sup> The Director's decision on the petition is non-appealable, but can be challenged via a district court action.

In response to a grant of *ex parte* reexamination, the patent owner is entitled to file a statement on the new question of patentability, including any proposed amendments the patent owner wishes to make.<sup>161</sup> Where the *ex parte* reexamination was requested by a third party, the third party is entitled to respond to the patent owner's statement.<sup>162</sup> This may be one reason why patent owners rarely submit a statement prior to receipt of an office action.

The patent owner is entitled to appeal to the BPAI and to the Federal Circuit with respect to any decision adverse to the patentability of any original, proposed amended, or new claim of the patent.<sup>163</sup>

### D. Director-Initiated Ex Parte Reexamination

The PTO Director can institute *ex parte* reexaminations *sua sponte*.<sup>164</sup> Under current PTO practice, the Director can institute a reexamination only upon a finding that a patent brings dispute on the PTO or that a significant procedural error occurred during examination. For example, where a patent examiner failed to consider references submitted in an information disclosure statement during the examination process, despite numerous requests from the applicant, the PTO may independently determine whether the references raise a SNQ. Some argue that since the creation of the CRU, however, the use of Director-initiated *ex parte* reexaminations has ceased based on the belief that the affected public can assume the burden of policing patents that are adverse to them. However, others argue that the lack of Director-initiated *ex parte* reexaminations since creation of the CRU is simply a coincidence.

### E. Inter Partes Reexamination

#### 1. Generally

*Inter partes* reexamination can be requested by any party other than the patent owner and its privies, at any time during the period of enforceability of a patent.<sup>165</sup> *Inter partes* reexamination is only available for patents that issued from an original application filed in the United States on or after November 29, 1999.<sup>166</sup> Until recently, the meaning of "an original application" was not fully settled. The issue was whether an *inter partes* reexamination can be filed on a patent from a continuation

<sup>157</sup> 35 U.S.C. Section 302; 37 C.F.R. Section 1.510.

<sup>158</sup> 37 C.F.R. Section 1.565.

<sup>159</sup> *Id.* Section 1.552(b).

<sup>160</sup> *Id.* Section 1.515(c).

<sup>161</sup> *Id.* Section 1.530.

<sup>162</sup> *Id.* Section 1.535.

<sup>163</sup> 35 U.S.C. Section 306.

<sup>164</sup> 35 U.S.C. Section 303; 37 C.F.R. Section 1.520.

<sup>165</sup> 37 C.F.R. Section 1.913.

<sup>166</sup> *Id.*

application having a filing date on or after November 29, 1999, but which claims priority to a filing before November 29, 1999. The PTO's position was that "an original application" includes any application with an actual filing date on or after November 29, 1999, regardless of whether that application claimed priority to an application filed before that date. The PTO's interpretation was upheld in district court<sup>167</sup> and was subsequently affirmed by the Federal Circuit in *Cooper Techs. Co. v. Dudas*.<sup>168</sup> The practical effect is that only patents whose actual filing date is on or after November 29, 1999, are eligible for *inter partes* reexamination, irrespective of whether the patent's effective filing date is earlier.

As with *ex parte* reexaminations, a third party requester can petition the Director to review a determination refusing *inter partes* reexamination. The Director's decision of the petition is non-appealable.<sup>169</sup>

A patent owner is entitled to appeal to the BPAI and to the Federal Circuit with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.<sup>170</sup> A third party requester is entitled to appeal to the BPAI and to the Federal Circuit with respect to any *final* decision favorable to the patentability of any original or proposed amended or new claim of the patent.<sup>171</sup>

## 2. Estoppels in *inter partes* reexamination

Estoppels in an *inter partes* reexamination flow two ways—from the *inter partes* reexamination to the civil action, and from the civil action to the *inter partes* reexamination. In a subsequent civil action, a party cannot argue invalidity of a claim finally determined to be valid or patentable on any ground which that party raised or could have raised during the *inter partes* reexamination.<sup>172</sup> The third party is not, however, precluded from asserting invalidity based on newly discovered art that was unavailable to the third party requester and the PTO at the time of the *inter partes* reexamination.<sup>173</sup> Similarly, once a final decision has been entered against a party in a civil action that the party has not sustained its burden of proving the invalidity of any patent claim in suit, the party and its privies cannot request *inter partes* reexamination on the basis of issues that the third party raised or could have raised in the civil action.<sup>174</sup> It appears from the statute that these estoppels in *inter partes* cases apply only to civil actions brought in the district court under 28 U.S.C. Section 1338 and not to Section 337 ITC investigations. Whether this was an oversight is unknown, but the authors are not aware of any cases for which estoppel has been applied in an ITC investigation.

Once a request for *inter partes* reexamination has been granted, the third party requester cannot file a subsequent request for *inter partes* reexamination while the prior *inter partes* reexamination is pending.<sup>175</sup> Further, once a final decision is granted favorable to patentability of any original, proposed amended, or new claim, the third party requester cannot thereafter request *inter partes* reexamination of such claim on the basis of issues that the third party raised or could have raised in the prior *inter partes* reexamination.<sup>176</sup>

Finally, after an *inter partes* reexamination has been instituted, the third party requester is precluded from citing any additional prior art unless it rebuts a finding of the examiner or a response by the patent owner, or if it became known or available after filing the request.<sup>177</sup> There are no estoppels, however, that prevent the third party requester from filing subsequent *ex parte* reexaminations. But the CRU closely examines such subsequent requests with a close eye to whether there is, in fact, a true SNQ.

167 *Cooper Techs. Co. v. Dudas*, 85 U.S.P.Q.2d 1465 (E.D. Va. 2007) (Brinkema, J.).

168 See *Cooper Techs. Co. v. Dudas*, No. 2008-1130, slip op. at 2-7 (Fed. Cir. Aug. 19, 2008).

169 37 C.F.R. Section 1.927.

170 35 U.S.C. Section 315(a).

171 *Id.* Section 315(b).

172 35 U.S.C. Section 315(c).

173 *Id.* Section 315(c).

174 35 U.S.C. Section 317(b).

175 *Id.* Section 317(a).

176 *Id.* Section 317(b).

177 *Id.* Section 1.948.

## F. Mergers of Concurrent Proceedings

### 1. Merger of co-pending reexaminations

Multiple *ex parte* reexaminations on the same patent will generally be merged.<sup>178</sup> However, the decision is at the sole discretion of the Office, which will take into account its statutory mandate of “special dispatch.”<sup>179</sup>

If one of the multiple co-pending reexamination requests is *inter partes*, then the merger decision proceeds under the *inter partes* rules.<sup>180</sup> According to the MPEP, merger decisions are made by the Office of Patent Legal Administration (“OPLA”). After multiple reexaminations have been ordered, the CRU will deliver the multiple orders to the OPLA, and OPLA will determine whether and how the reexamination should be merged. OPLA will thereafter issue a merger order that will govern the merged proceedings. The merged proceedings will then proceed under the *inter partes* rules, except that the third party requester will maintain its rights under the *ex parte* rules—e.g., the third party requester would maintain its right to respond to any patent owner’s statement.<sup>181</sup> No *ex parte* rights appear to remain with the patent owner, and the right to interview any *ex parte* issues appears to be foreclosed as a general rule. If a party feels its *ex parte* rights have been unfairly terminated by a merger, then it may consider a Rule 181 petition to preserve *ex parte* rights.

### 2. Merger of co-pending reissue applications and reexaminations

The authors are aware of multiple situations where a patent owner has, upon being subjected to a reexamination request, proceeded to file a reissue application.<sup>182</sup> It is also not unusual for a patent owner to file a reissue application in advance of a lawsuit to clear up any errors or to put a claim set in better condition for litigation. If the reissue application is filed within the two years of the issue date of the patent, a broadening reissue is available.<sup>183</sup> While a patent owner may not broaden claims during reexamination, a broadening reissue application may preserve that right.

Where a reissue application and a reexamination are co-pending, the PTO may merge the proceedings or suspend one of the two proceedings.<sup>184</sup> It is the general policy of the PTO that the two proceedings will not be allowed to proceed simultaneously without merger or suspension of one or the other.<sup>185</sup> The reason for the policy is to permit timely resolution of both the reissue and the reexamination, and to prevent inconsistent and possibly conflicting amendments. Therefore, even if the parties do not make a specific petition for merger or suspension, the PTO will take action *sua sponte* to prevent parallel proceedings.<sup>186</sup> Because of the statutory mandate to treat reexaminations with “special dispatch,”<sup>187</sup> the PTO should not suspend the reexamination unless there are exceptional circumstances. This is especially true due to the potential for extending prosecution of reissue applications through continuation applications or requests for continued examination.

As with the merger of multiple reexamination requests, the determination to merge or suspend is made by the OPLA, and the decision is made on a case-by-case basis.<sup>188</sup> Factors include: (1) timing (whether reissue was filed first); (2) the statutory mandate to treat reexaminations with “special dispatch”; (3) the fact that the reissue could continue indefinitely via continuation applications; and (4) whether the patent owner consented to a stay of the reissue application. A merger order will typically lay out the ground rules for the merged proceeding to proceed

178 37 C.F.R. Section 1.565.

179 MPEP Section 2283.

180 37 C.F.R. Section 1.989.

181 *Id.*

182 *See, e.g.*, Reissue application no. 11/513,425 and *inter partes* reexamination control no. 95/000,155.

183 *See* 35 U.S.C. Section 251.

184 *See* 37 C.F.R. Section 1.565(d) for reissue merger with *ex parte* reexamination and 37 C.F.R. Section 1.991 for reissue merger with *inter partes* reexamination.

185 MPEP Section 2686.03.

186 *See e.g.*, merger decision for *inter partes* reexamination control number 95/000,270, which was merged (*sua sponte*) with broadening reissue application serial number 11/703,606; and merger decision for *inter partes* reexamination control number 95/000,269, which was merged (*sua sponte*) with reissue application serial number 11/636,350. Both of these cases involved concurrent district court litigation.

187 35 U.S.C. Sections 305, 314(c).

188 *In re Allan*, 71 U.S.P.Q.2d 1751 (Com’r Pat. & Trademarks Apr. 26, 2004) (non-precedential).

simultaneously. Importantly, jurisdiction of a merged proceeding stays with the CRU, not with the Technology Center reissue examiner.

Where the merger is with an *inter partes* reexamination, the OPLA's merger order strictly limits the third party requester's participation to those issues unique to the reexamination. For example, third party requesters will be strictly prohibited from commenting on the reissue claims or other issues unique to reissue, such as recapture. Further, the merged proceeding will not allow for interviews or extensions of time (except for good cause). Finally, in merged proceedings, the reexamination is terminated upon the issuance of a reexamination certificate.

### ***G. Extensions of Time***

Reexaminations must be carried out with "special dispatch."<sup>189</sup> For this reason, patent owners are uniformly given shortened periods of time to respond to office actions on the merits—typically two months, instead of the usual three allowed during original prosecution. Further, because reexaminations are not "applications," the ability to obtain extensions of time under 37 C.F.R. Section 1.136 is foreclosed. Instead, patent owners seeking an extension of time are bound by reexamination Rules 1.560 and 1.956. Under those rules, extensions of time are only given if sufficient cause is demonstrated. Even then, extensions are typically available for only one month barring a showing of extraordinary circumstances.<sup>190</sup>

That said, well supported requests are often granted. Factors that appear to warrant extensions of time include, for example, ongoing parallel discovery in a co-pending district court or ITC action. Discovery such as expert reports or inventor depositions that are due during the two month window for responding to the office action may necessitate added time for review and consideration.<sup>191</sup> Other factors include the availability of declarants, the need to obtain evidence in support of patentability arguments, and whether reexamination is new to the proceedings. For instance, extensions of time have been granted when reexamination counsel needs to investigate a possible swear behind under Rule 131, or needs to obtain declaratory evidence under Rule 132. The same is true when the need arises to obtain evidence of secondary considerations in rebutting an obviousness rejection.

Another important aspect of any request to extend time is an affirmative showing of what steps the patent owner has taken in responding to the office action. *See* MPEP Section 2265. A detailed showing is required. Only with this showing may the CRU properly balance the need to proceed with special dispatch with the ability of the patent owner to fully respond to the rejections in the office action, and to adequately defend its patent right.

It should also be noted that filing a request for an extension of time does NOT toll the time to respond. Therefore, any requests should be made well in advance of the deadline. The CRU responds to requests in a fairly prompt manner. One recent evaluation shows a mean decision time of 14 days, with a median time of 11 days. The authors have seen the CRU act in as little five days from the request.

If an extension of time is secured for responding to a particular action, any subsequent request to extend for the same action will only be granted if there are extraordinary circumstances, such as incapacitation of reexamination counsel.<sup>192</sup> For responses to subsequent actions, the standard reverts to sufficient cause. Put differently, the term "second or subsequent requests" refers to a second or subsequent request in the context of the particular deadline for which an extension is sought, and not to second or subsequent requests over the course of the entire reexamination. This is important because "second or subsequent" requests are only granted under "extraordinary circumstances."

---

189 35 U.S.C. Sections 305 and 314(c).

190 *See* MPEP Sections 2265 and 2665.

191 *See* Control Nos. 95/000,285, 95/000,310, and 95/001,018.

192 *See* MPEP Sections 2265 and 2665.

However, based on conversations with two CRU SPEs, if the PTO perceives a pattern of delay, such as where an applicant requests an EOT for every deadline, subsequent requests over the course of an entire reexamination receive closer and closer attention. While not reviewed under the “extraordinary circumstances” standard, these subsequent EOT requests will get closer inspection and may require additional proof than would have been required for a first request.

#### ***H. Page Limits For Inter Partes Reexamination Papers***

The *inter partes* reexamination rules impose a 50-page limit on Office Action responses filed by the patent owner and written comments filed by the third party requester.<sup>193</sup> However, there is no corresponding limit set on the size of the reexamination request or the Office Action issued by the Examiner.<sup>194</sup>

On one hand, page limits force the prosecuting attorneys to economize their arguments and reduce the number of pages that an Examiner must review in each Office Action cycle. On the other hand, in cases having lengthy and complex Office Actions, these page limits may not afford the patent owner the ability to adequately argue all the issues raised in the reexamination request and/or Office Action.

How can the PTO balance the need for economy while protecting the right of the patent owner to protect its property right? Can the PTO *sua sponte* waive the page limit rule when an Office Action exceeding a specific length is issued?

This issue is exacerbated by the need to create a full and complete factual record of the story of the invention and the relevant prior art to overcome obviousness rejections. In the patent interference context there is the Evidence Appendix that is used to create the factual record and is not counted as part of the page limits for attorney argument. The PTO in the interference context takes a liberal view of what is allowed into the Appendix that often runs thousands of pages in length. Many argue that the CRU should adopt a corresponding approach to the page limit in reexaminations.

## **VI. CENTRAL REEXAMINATION UNIT (CRU) IMPROVES QUALITY AND REDUCES PENDENCY**

### ***A. Dedicated Examiners***

In 2005, the PTO created a dedicated Central Reexamination Unit (CRU) to ensure quality and consistency of reexamination proceedings, and to reduce pendency. The CRU handles all reexaminations regardless of technology, and all legacy reexaminations have been transferred to the CRU from their respective technology centers. The CRU is currently headed by a new CRU Director, Mr. Greg Morse, who assumed his new duties on June 23, 2008.

In 2006, the CRU included 31 patent examiners, three supervisory patent examiners, and 10 support staff. When Mr. Morse took over in June 2008, the CRU ranks had grown to a total of 53 patent examiners with 10 in the biological/chemical group, 12 in the mechanical arts, and 31 in the electrical arts. There are now four supervisors, while the clerical staff remains at 10. An announcement has been made that the CRU is looking for seven additional examiners, mostly in the electrical arts. In short, the CRU continues to grow in response to increased use of reexaminations as a viable post-grant vehicle to challenge patent validity.

The examiners in the CRU are selected from the ranks of the PTO examiner corps and have an average of approximately 17 years of examining experience. Many of the CRU examiners also

---

<sup>193</sup> 37 C.F.R. Section 1.943(b).

<sup>194</sup> The trend in *inter partes* reexamination appears to be the filing of lengthy reexamination requests. In many cases, the reexamination request exceeds 500 pages. It is not uncommon for the request to exceed 250 pages.

have advanced technical degrees and/or law degrees. The CRU examiners are evaluated on work quality and workflow, not on production quotas, as is the case with the regular examiner corps. Assignment to the CRU is recognized throughout the PTO as professional advancement; morale throughout the CRU is high, and turnover is low.

By statutory mandate, reexaminations are handled with “special dispatch.”<sup>195</sup> Preparation of each office action involves two patent examiners and one supervisory patent examiner. One of the patent examiners prepares the office action. The second patent examiner and the supervisory patent examiner review the office action before the office action is mailed. The three examiners confer to resolve any disagreements.

### ***B. Interaction Between CRU and OPLA***

As noted above, the CRU works closely with the OPLA to resolve petitions to the director, disputes involving the “real party in interest,” petitions to merge proceedings, and the like. The CRU also works closely with the OPLA in examining the practical effects of its own rules, and in examining ways to streamline reexamination proceedings to reflect today’s realities.

At least one OPLA official has acknowledged that, while the present rules worked well in the past when there were relatively few reexaminations, they are “clunky” in view of today’s realities. The CRU and OPLA are therefore currently looking to “streamline” some of the rules.

### ***C. Practice Suggestions***

Under its new practice, the CRU will only reexamine claims for which a SNQ is alleged and found. In the past, a SNQ for even a single claim would typically trigger the reexamination of all claims.

Under the new rules, every submitted reference must be applied to at least one claim. Many requests are being denied a filing date for failing to apply every cited reference. The filing date is important because, as mentioned above, the PTO strives to issue a final office within two years of the filing date.

Litigation docket numbers are not to be cited in PTO disclosure forms (*i.e.*, PTO Form 1449, PTO/SB/08A, or PTO/SB/08B). Affidavits and/or testimony transcripts can be cited in PTO disclosure forms.

Extensions of time in reexamination proceedings must be obtained in advance and will not be granted without a substantial reason. A request for an extension of time must include a description of relevant activities to date, reasons necessitating an extension of time, and relevant actions that will be taken during the requested extension period. Potentially valid reasons include the death or unavailability of an inventor, or a need for trial testimony or exhibits. Extensions of time will generally not be granted for holidays or vacations.

If a practitioner has a concern about a reexamination, he or she should contact the Office of the CRU Director before petitioning the Patent Commissioner. A petition to the Commissioner triggers the transfer of the reexamination file from the CRU to the Commissioner, which may delay the reexamination proceeding.

#### ***D. Recommendations That Are Circulating***

Substantial discussion exists among reexamination experts about ways the current reexamination process can be improved. While the topics discussed below are not meant to be exhaustive, the ones presented are “hot button” issues and deserve immediate and special attention.

##### ***1. Extensions of time***

In reexamination proceedings, deadlines for filing responses or third party papers are generally extremely short, particularly in cases involving a concurrent litigation. However, the PTO is cognizant that a patent owner must be provided with a fair opportunity to present an argument against any attack on the patent<sup>196</sup> and has granted requests for extension of time in a number of cases. If a patent owner is faced with an action presenting extensive and complex rejections or an action requiring development of factual affidavits, the patent owner should consider filing a request for an extension of time. Such a request should be detailed and provide sufficient cause to justify the extension. When deciding such requests, the PTO must balance the interest of the parties against the statutory mandate that reexaminations be conducted with special dispatch.

The *inter partes* reexamination rules allow for the patent owner to request an extension of time to reply to an Office Action (or any action) for sufficient cause.<sup>197</sup> However, the rules explicitly prohibit the third party from receiving an extension of time for submitting written comments to the patent owner's Office Action response.<sup>198</sup> Many practitioners argue that this rule is unfair to the third party requester, particularly in cases where the patent owner has received an increase in the page limit for reply or submits voluminous factual evidence. One recommendation being circulated is to remove the prohibition against the third party requester and allow the third party requester to request extensions of time using the same standards applied to the patent owner.

##### ***2. Page limit waivers***

As discussed above, the *inter partes* reexamination rules impose a 50-page limit on Office Action responses filed by the patent owner and written comments filed by the third party requester. One recommendation circulating is that the PTO remove the 50-page limit. Opponents argue that removal of any page limit would invite spurious and unfocused arguments, increasing the burden on the Examiners. Another recommendation circulating is that the PTO *sua sponte* waive or increase the 50-page limit when issuing extensive Office Actions.

Another factor that directly impacts page limits is whether the responder is presenting facts or argument. A simple presentation of facts does not count against the page limit, while attorney (or applicant) argument does. For this reason, the authors recommend that practitioners take a lesson from district court litigation and clearly separate the facts from the argument. This can be done in the body of the response by delineating factual sections from arguments, much the same way a summary judgment motion or opinion will have separate sections for “findings of fact” and “conclusions of law.” Alternatively, practitioners should consider a separate Evidence Appendix. Both of these devices will assist the responder in separating facts surrounding the story of the invention and the prior technology, from the arguments in favor (or against) patentability.

One complicating factor worth noting is that the line between “facts” and “argument” may be a blurry one. Discussion of teachings of a reference is factual. The ultimate conclusion of obviousness is legal. In between, however, could exist gray areas. Nonetheless, practitioners can only help themselves if clear distinctions are made in the body of any response.

---

<sup>196</sup> See MPEP Sections 2265 and 2665.

<sup>197</sup> 37 C.F.R. Section 1.956.

<sup>198</sup> 37 C.F.R. Section 1.947.

### 3. Adopt an “interference-type” approach

Given the concern regarding pendencies of reexamination proceedings, particularly *inter partes* proceedings, some experts have argued that the reexamination process should be modeled after the interference process currently instituted by the PTO. The authors intend to further develop this idea in future versions of this paper.

#### E. CRU Criticisms

Some practitioners have nicknamed the CRU as the “Central Rejection Unit.” Is there any practical truth to this moniker?<sup>199</sup> With the much greater resources devoted to the reexamination process by the CRU, coupled with the impact of *KSR* in terms of how printed publications and patents will be treated by the CRU, and in *inter partes* reexaminations the presence of the third party requester throughout the process, speculation abounds that the chance of a claim surviving the reexamination process is becoming less and less as time goes on. Is this speculation correct in practice?

Some critics argue that the CRU is unfairly inclined to find claims invalid in reexaminations especially where these claims have been subjected to extensive prior litigation and have survived significant validity challenges in the courts. They contend that, because the CRU essentially does no searching but instead relies on the parties to do this task, the examiners do not appreciate the innovation captured by the claimed invention because they are “spoon fed” the prior art by the requester.

Moreover, critics contend that the CRU tends to “rubber stamp” the reexamination request filed by the requester in *inter partes* proceedings and that the first office action almost always rejects all of the claims. Some contend that this improperly shifts the presumption to the patent owner that the claims are *prima facie* invalid. They also contend that the patent owner essentially only has the response to the first office action to put forth evidence of non-obviousness and that trying “to prove a negative” is daunting at best, and a practical impossibility at worst. Critics argue that this approach subverts the constitutional basis for patents.

Finally, some critics contend that the PTO is pressuring the CRU to be very negative towards claims in reexamination to mollify powerful political forces at work. Those political forces seek to weaken valuable patent rights owned by non-practicing entities, which happen to encompass entities such as universities and R&D innovation companies. Some perceive that these entities are being ganged up on and attacked unfairly in the courts. The employees of the PTO interviewed by the authors believe that this criticism is unfounded. These employees counter that any pressures from the PTO are limited to meeting deadlines and timelines.

#### F. Practitioner Criticisms

Some critics argue that practitioners are abusing the reexamination process by filing papers for intentional delay or by turning the petition process into a form of motion practice in front the Office of Patent Legal Administration.

The authors interviewed high level OPLA, CRU and BPAI officials, as well as several judges. These individuals provided extensive criticisms and suggestions on how practitioners could improve in terms of dealing with the PTO and the courts in reexaminations. The authors have provided these criticisms and suggestions in the applicable sections of this paper, rather than providing

<sup>199</sup> Some people argue that the reexamination decisions issued by the PTO support this nickname. For example, as of September 30, 2008, the PTO has granted 8467 *ex parte* reexamination requests. Of the granted requests, only 1264 *ex parte* reexaminations have resulted in confirmation of all claims. As of December 31, 2008, the PTO has granted 439 *inter partes* reexamination requests. Of the granted requests, only four *inter partes* reexaminations have resulted in confirmation of all claims. Assuming that Office Actions have not issued in a percentage of the recently filed reexaminations, these statistics lead to the conclusion that the PTO has issued rejections in approximately 80% or more of the *ex parte* reexaminations and in approximately 95% or more of the *inter partes* reexaminations. Additionally, approximately 70% of *inter partes* reexaminations receive a first Office Action on the same day that the reexamination is ordered. See Reexamining Inter Partes Reexam, *Institute for Progress* (April 2008).

a long laundry list here. Suffice it to say, the bar needs to improve its practices and procedures in a manner commensurate with what the PTO and the courts need to do.

## VII. REEXAMINATION STATISTICS

We conclude this paper with a discussion of reexamination statistics. The authors have done their own independent data gathering and analysis of reexaminations and offer the following summary. To provide further insight into reexamination practice, the authors have conducted a thorough review of all reexamination requests that have been published in the Official Gazette January 1, 2008, through September 23, 2008. A sampling of that review is provided herewith.

The review of the requests shows that 128 *inter partes* reexamination requests were made involving 94 unique patent owners. There were 531 *ex parte* reexamination requests involving 351 unique patent owners. For *inter partes* reexaminations, the unique patent owners included 106 U.S.-based companies and seven Japanese companies, with the remainder of the patent owners based in 11 other countries. For *ex parte* reexaminations, the unique patent owners included 431 U.S.-based companies and 34 Japanese companies, with the remainder of the patent owners based in 21 other countries.

The technologies involved were similarly diverse. The *inter partes* reexamination requests involved 67 different technology classes, with the top ten technology classes representing nearly 44% of the total number of classes within *inter partes* reexamination requests. The technology classes with the most *inter partes* reexamination requests were: "Data processing: database and file management or data structures," "Data Processing: financial, business practice, management, or cost/price determination," and "Surgery." Each of these classes had eight *inter partes* reexamination requests. The *ex parte* reexamination requests involved 165 different technology classes, with the top ten technology classes representing 35% of the total number of classes. The three technology classes with the most *ex parte* reexamination requests were "Surgery" (38), "Electrical computers and digital processing systems: multicomputer data transferring" (34), and "Chemistry: molecular biology and microbiology" (19).

Attached are the most recent reexamination statistics from the PTO (dated March 31, 2009).

2009 CRU REEXAMINATION STATISTICS

UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box Box 1450
Alexandria, VA 22315-1450
www.uspto.gov

Inter Partes Reexamination Filing Data - March 31, 2009

Table with 10 columns: Item, Description, Fiscal Yr., No., Fiscal Yr., No., Fiscal Yr., No., Fiscal Yr., No. Includes rows for total requests, filings by discipline, annual filings, litigation, decisions, pendency, and certificates issued.

1 Of the requests received in FY 2009, 20 requests have not yet been accorded a filing date, and seven requests have had preprocessing terminated, for failure to comply with the requirements of 37 CFR 1.915. See Clarification of Filing Date Requirements for Ex Parte and Inter Partes Reexamination Proceedings, Final Rule, 71 Fed. Reg. 44219 (August 4, 2006).

UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents  
 United States Patent and Trademark Office  
 P.O. Box Box 1450  
 Alexandria, VA 22315-1450  
**www.uspto.gov**

Ex Parte Reexamination Filing Data - March 31, 2009

1.	Total requests filed since start of <i>ex parte</i> reexam on 07/01/81 .....	9893 <sup>1</sup>	
	a. By patent owner	3603	36%
	b. By other member of public	6125	62%
	c. By order of Commissioner	165	2%
2.	Number of filings by discipline		
	a. Chemical Operation	2873	29%
	b. Electrical Operation	3404	34%
	c. Mechanical Operation	3456	35%
	d. Design Patents	160	2%
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 511		
	1983 186                  1991 307                  1999 385                  2007 643		
	1984 189                  1992 392                  2000 318                  2008 680		
	1985 230                  1993 359                  2001 296                  2009 308 YTD		
	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 .....	2992	30%
5.	Decisions on requests .....	9525	
	a. No. granted .....	8754	92%
	(1) By examiner	8641	
	(2) By Director (on petition)	113	
	b. No. denied .....	771	8
	(1) By examiner	736	
	(2) Reexam vacated	35	
6.	Total examiner denials (includes denials reserved by Director) .....	849	
	a. Patent owner requester	444	52%
	b. Third party requester	405	48%
7.	Overall reexamination pendency (Filing date to certificate issue date)		
	a. Average pendency	24.8 (mos.)	
	b. Median pendency	19.3 (mos.)	

<sup>1</sup> Of the requests received in FY 2009, 26 requests have not yet been accorded a filing date, and preprocessing of 12 requests was terminated for failure to comply with the requirements of 37 CFR 1.510. See Clarification of Filing Date Requirements for *Ex Parte* and *Inter Partes* Reexamination Proceedings, Final Rule, 71 Fed. Reg. 44219 (August 4, 2006).

8. Reexam certificate claim analysis:	Owner <u>Requester</u>	3rd Party <u>Requester</u>	Comm'r <u>Initiated</u>	<u>Overall</u>
a. All claims confirmed	22%	27%	12%	25%
b. All claims cancelled	8%	13%	21%	11%
c. Claims changes	70%	60%	67%	64%
9. Total ex parte reexamination certificates issued (1981 - present) .....				6743
a. Certificates with all claims confirmed			1681	25%
b. Certificates with all claims canceled			756	11%
c. Certificates with claims changes			4306	64%
10. Reexam claim analysis - requester is patent owner or 3rd party; or Comm'r initiated.				
a. Certificates - PATENT OWNER REQUESTER .....				2790
(1) All claims confirmed			619	22%
(2) All claims canceled			228	8%
(3) Claim changes			1943	70%
b. Certificates - 3rd PARTY REQUESTER .....				3806
(1) All claims confirmed			1044	27%
(2) All claims canceled			497	13%
(3) Claim changes			2265	60%
c. Certificates - COMM'R INITIATED REEXAM .....				147
(1) All claims confirmed			18	12%
(2) All claims canceled			31	21%
(3) Claim changes			98	67%

