

Reexamination Practice with Concurrent District Court Patent Litigation

Robert Greene Sterne, Kenneth C. Bass III,
Jon E. Wright, Lori A. Gordon & Matthew J. Dodd



Recommended Citation: Robert Greene Sterne et al.,
*Reexamination Practice with Concurrent District Court Patent
Litigation*, 9 SEDONA CONF. J. 53 (2008).

Copyright 2008, The Sedona Conference

For this and additional publications see:

<https://thesedonaconference.org/publications>

REEXAMINATION PRACTICE WITH CONCURRENT DISTRICT COURT PATENT LITIGATION

*Robert Greene Sterne, Kenneth C. Bass, III,
Jon E. Wright, Lori A. Gordon, and Matthew J. Dowd¹
Sterne, Kessler, Goldstein & Fox, PLLC
Washington, DC*

I. INTRODUCTION²

This paper addresses the interface between patent litigation in the federal courts and the United States International Trade Commission (“ITC”) and reexamination proceedings involving the patent-in-suit at the United States Patent and Trademark Office (“PTO”). Celebrated cases such as the one involving the Blackberry wireless product, as well as the *eBay*³ and *KSR*⁴ cases at the United States Supreme Court, have highlighted the critical interplay between these two worlds — one of Article III and I courts and the other of an administrative agency. These so-called “parallel universes” work with separate rules, time lines, and results in cases involving the same patent. As independent arbiters of patent validity, each forum also poses a distinct set of challenges and risks.

For reasons discussed more fully below, patent reexamination continues to influence patent litigation. This influence is growing, and the use of reexamination as the preferred venue to challenge patent validity is increasing, especially when the option of *inter partes* reexamination is available. Through the efforts of its Central Reexamination Unit (“CRU”), the PTO has gone through great effort to make the current reexamination procedures a viable avenue for post-grant patent challenges, even while Congress mulls alternative and possibly more extensive post-grant proceedings. At the same time, the recent Supreme Court decision in *KSR*⁵ appears to have cast serious doubt on the validity of many hundreds of thousands of issued patents. For these reasons, the Sedona Patent Litigation Conference 2008 has continued its in-depth dialogue begun in 2006 on how reexamination practice and other post-grant PTO proceedings fit with patent litigation. This paper repeats and reinforces many of the topics covered in the 2007 and 2006 Sedona Conferences on Patent Litigation as those topics are even more relevant today. The authors have also updated the reexamination statistics coming from the CRU, performed additional in-depth data collection and analysis, and addressed how the *KSR* decision is impacting reexamination practice.

II. ISSUES FOR CONSIDERATION

Many of the following issues were raised by the authors, the Sedona Conference panelists, patent litigators, corporate representatives, and prosecution specialists during the 2007 Sedona Patent Litigation Conference. These “hot button” issues remain highly relevant in 2008 and are provided to

1 Sterne, Kessler, Goldstein and Fox, PLLC, www.skgf.com. This paper is a continuation of the paper presented during the Eighth Annual Sedona Conference on Patent Litigation, October 11-12, 2007 entitled “Reexamination Practice with Concurrent District Court Patent Litigation” by Robert Greene Sterne, Kenneth C. Bass, III, Jon E. Wright and Matthew J. Dowd. The authors thank Michael Messinger, Michael Specht, and Pauline Pelletier of their firm for the reexamination data gathering and analysis summarized at the end of this article.

2 The views expressed herein do not necessarily reflect those of the authors of this paper, their firm, or their clients. They also do not necessarily reflect those of the participants on the panel discussion on this topic at the Eighth Annual Sedona Conference on Patent Litigation. They are presented in accordance with the Sedona Rules of full dialogue on these important issues in a completely off the record context so as to encourage education and the advancement of patent law.

3 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

4 *KSR Int'l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727 (2007).

5 *Id.*

aid critical decisions that need to be addressed when navigating the parallel worlds of PTO and district court/ITC proceedings involving the same patent rights.

A. General PTO Prosecution Issues

1. Protective Orders

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?

As a general matter, no party having access to another party's highly confidential technical information should be allowed to draft or supervise the drafting of pending claims in applications or claims under reexamination in the same technical space. Obviously, in-depth knowledge of a competitor's highly confidential technical information, combined with the ability to amend claims, would often convey a dangerously unfair advantage to the recipient of such information. 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.

In the specific context of reexamination practice with concurrent district court litigation, the protective order should specifically address the issue of patent prosecution, both of applications and of reexamination⁶ proceedings. The patent owner's trial team would presumably have access to the accused infringer's highly confidential technical material regarding the accused products and, barring a prosecution ban, would be able to supervise and/or directly control claim amendments. The patent owner may also be sharing highly confidential technical information about its own products, and any non-prosecution clause should be reciprocal.

Accused infringers contemplating reexamination should ensure that the patent owner's trial team is prohibited from participation in any requested reexamination. Accused infringers should also insure that the protective order bars the sharing of highly confidential information with individuals prosecuting applications, including reissue applications, and reexaminations in the same subject matter as the patents in suit.

Finally, 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. The duty of disclosure issues are discussed more fully below in section II.A.3.

In sum, the possibility of concurrent reexamination requires both parties to a patent litigation to pay close attention to the protective order. Patent owners must understand their disclosure obligations under the reexamination rules. Patent owners should also carefully consider the duties and restrictions imposed upon it 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.

2. Privilege

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

⁶ Reexaminations should be specifically addressed in the protective order because it can be argued that they are not technically a patent application. See *Visto Corp. v. Seven Networks, Inc.*, No. 2:03-CV-333-TJW, 2006 U.S. Dist. LEXIS 91453, at *14-20 (E.D. Tex. Dec. 19, 2006) (Ward, J.) (finding that, under the protective order, participation in the reexamination was the prosecution of a patent application not only "reasonably related" to the patents-in-suit but also a part of the prosecution history of the patent in suit).

PTO of any concurrent district court litigation in *ex parte* and *inter partes* reexaminations.⁷ 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.⁸

If a party thinks information must be disclosed, the protective order should specify procedures for parties to “meet and confer” to resolve disclosure issue. If parties cannot agree, then the issue may need to be raised with 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.⁹ 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. The envelopes are not opened by the examiner until a decision to allow the case has been reached. If the examiner does not believe the sealed information is important to the determination of patentability, the information is expunged from the file. If the information is deemed important to patentability, the information is made of record in the application.

This same procedure could be applied in reexamination proceedings. 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.

3. Reexaminations and Duty of Disclosure

What are the pros and cons of using patent attorneys from the trial team, or prosecution attorneys from the litigating law firm versus using outside patent attorneys or patent attorneys inside the patent owner’s company? Critical issues to consider include efficiencies, maintenance of privilege, and compliance with protective orders. Best practices may warrant use of outside patent attorneys for the prosecution activities who are walled off from the litigation team, especially where the protective order includes a non-prosecution clause.

One unresolved issue in this regard is the extent to which the PTO’s duty of disclosure under 37 C.F.R. Sections 1.555 and 1.933 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 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 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.

While the requester may not be under the duty of disclosure, it nonetheless has the duty of candor to the PTO proceeding as that rule applies equally to reexaminations, as it does to all proceedings before the PTO.¹⁰

7 See 37 C.F.R. Sections 1.555, 1.933 (providing that each individual associated with the patent owner in reexamination proceedings has a duty of candor and good faith in dealing with the Office); see also 35 U.S.C. Section 290 (requiring clerks of U.S. courts to notify the PTO of patent commencement and termination of infringement suits).

8 37 C.F.R. Section 1.985.

9 See MPEP Section 724-724.05.

10 See generally 37 C.F.R. Section 10.18.

4. *Real Party in Interest and Patent Owner Limitation*

Unlike *ex parte* requests, *inter partes* reexamination requests may not be filed anonymously. *Inter partes* reexamination requests require that the third party requester disclose the “real party in interest.”¹¹ Further, the patent owner and its privies are not permitted to file *inter partes* reexamination requests on its own patents.¹²

The statute and rules prevent the patent owner and its privies from filing self-serving *inter partes* requests. Were anonymous requests permitted, a patent owner could participate on both sides of an “*inter partes*” reexamination. Clearly, this is (and should be) prohibited.

The “real party in interest” rule is technically different from the provisions that apply to the patent owner. Real party in interest is associated with the third party requester. The relation between the third party requester requirement and the real party in interest is a bit unclear. Practically, however, the “real party in interest” provision is used to identify the parties subject to the estoppel provisions, discussed below. It may also allow examiners or board members to recuse themselves as they are essentially acting as a judge between the two parties.

The Office is currently 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 defendant, but not all, files an *inter partes* reexamination request. In some celebrated cases, this defendant is one with minimal infringement 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.

An alternate scenario is that the defendant filing the *inter partes* reexamination request is doing so on its own initiative and perhaps against wishes of the one or more co-defendants. In such a situation, who is the real party in interest? Just the third party requester? The entire JDG? Just those JDG members who have concurred with the reexamination strategy? The authors are aware of several cases involving 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 Office therefore lacks jurisdiction to continue reexamination proceedings. Where the parties disagree on the facts, the Office takes the position that it has not been vested with subpoena power, statutory authority, or a discovery process in reexamination proceedings to make a proper factual determination.¹³ Nor is there clear guidance in the *inter partes* reexamination statute and its legislative history, in the PTO rules, or from the courts to resolve such “real party in interest” issues.¹⁴

Perhaps most importantly, such petitions 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 Office act with “special dispatch.” As one OPLA official put it, such petitions act as an “anchor” on reexamination proceedings that bring them dead in the water, preventing them from even getting underway.

5. *Effect of Settlement Agreements on Inter Partes Reexaminations*

What then 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 to either the validity or invalidity of the patent? It is well settled that during litigation

¹¹ 37 C.F.R. Section 1.915(b)(8).

¹² *Id.* Section 1.913 (“Except as provided in Section 1.907, any person other than the patent owner or its privies may . . . file a request for inter partes reexamination . . .”).

¹³ This should be distinguished from interference practice where the PTO has discovery powers and a circumscribed discovery process.

¹⁴ The real party issue is a “hot button” issue, which will likely percolate up to the Federal Circuit in the near future.

patent owners may make admissions to which they are bound by the PTO 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 requestor concedes patent validity in a settlement agreement, is the PTO then obligated to decide the reexamination on such admission? In such a situation, does the third party requester lose standing to participate in an *inter partes* reexamination? If so, would the *inter partes* reexamination be terminated or convert to an *ex parte* reexamination?

Careful attention should therefore be paid to any settlement agreement involving a patent that is also subject to an *inter partes* reexamination request. Does the settlement agreement only refer to the asserted claims or all claims of the patent? If the former, should the reexamination continue on the remaining claims subject to the reexamination? Further, are there any estoppels that might adhere to subsequent third party requesters with regard to the claims covered by the settlement agreement? For example, has the existence of an SNQ against the claim covered by a validity statement in the settlement or court order been extinguished for subsequent third party requesters?

B. Reexamination Strategy Issues

Before filing a reexamination request, a comprehensive strategy should be in place. 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. In a recent example, 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 suspension of the attorney taking the action.

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 the filing and how to settle most effectively the underlying dispute.

1. Timing of Reexamination Requests – When to File?

When should a reexamination request be filed? Once a litigation is realized? Immediately after service or after filing the answer to improve chances for a stay? Prior to enlisting experts to identify the issues? Prior to finalization of expert reports to ensure consistency? Prior to submission of disputed claim terms or claim construction briefs to ensure consistency? After close of discovery to insure inclusion of potential additional prior art or deposition testimony? After the jury verdict? During the appeal to the Federal Circuit? After remand by the Federal Circuit to the district court?

The timing of a reexamination request will ultimately be determined by the requester’s overall goals. For instance, if the goal is to stay a more costly district court litigation until the validity of the asserted patent is adjudged by the PTO, then the reexamination should be filed as soon as possible after the filing of the suit. Some accused infringers in the current climate “jump the gun” on the patent owner and file a reexamination request during negotiations and before suit is filed by the patent owner to improve the chances of obtaining a stay. Alternatively, these accused infringers file the reexamination request when they file the declaratory judgment action in district court.

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 a year or more after the request is granted and a filing date is accorded in an *ex parte* reexamination request. The period to receive the first office action in an *inter partes* reexamination request is not substantially less. However, if the goal of the accused infringer is merely to launch an “insurance policy”¹⁵ and not

15 The “insurance policy” concept means that the chances of getting the claims cancelled or substantially changed in the reexamination process is assumed to be better than achieving these same goals in the district court for reasons discussed in this paper. It further assumes that the patent owner will be successful in the district court and but not in the PTO, and that the Federal Circuit will have to sort out these different results on the same patent in suit. See, e.g., *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2008) (vacating a multi-million dollar damages award after affirming the PTO’s decision to invalidate the patent following *ex parte* reexamination).

to stay the litigation, then the reexamination can be filed a bit later in the litigation, perhaps after Markman, when the patent owner may be bound by its Markman contentions. Finally, if the requester's goal is to force settlement, then a "pocket reexamination"¹⁶ could be prepared and the timing considerations would depend on the status of the settlement negotiations.

2. Multiple (ex parte) Reexamination Requests

If 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. 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 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.¹⁷ 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.

Finally, a patent owner can file a petition arguing that subsequent reexamination requests are being filed for the purposes of harassment.¹⁸ This should also be a consideration when determining whether to file multiple reexamination requests.

3. 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. 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 art until a final decision is reached in the *inter partes* reexamination proceeding.¹⁹ Therefore, in litigation with concurrent *inter partes* reexamination proceedings, the withheld 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 disclosure requirements.²⁰ 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.

¹⁶ The "pocket reexamination" concept is a request prepared by the third party requester and shown to the patent owner in settlement negotiations under a standstill agreement but is not filed at the PTO. Typically the reexamination request is fully prepared for filing and is filed at the PTO if the settlement negotiation is unsuccessful.

Another pocket reexamination strategy is to file the request with a deliberate defect that causes the request to be given a provisional filing date but then be bounced so that the filing date is lost if the defect is not cured within the response period. As noted above one approach has been to stop payment on the filing fee check which is ill advised since the patent attorney who used this tactic was suspended from practice before the PTO.

¹⁷ See *Visto Corp. v. Research in Motion Ltd.*, No. 2-06CV-181 (E.D. Tex. complaint filed Apr. 28, 2006).

¹⁸ See MPEP Section 2240.

¹⁹ 35 U.S.C. Section 317(b).

²⁰ See 37 C.F.R. Sections 1.555, 1.933; see also section II.A.3., *supra*.

4. 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?

5. Stays and Binding Reexamination

Is there a growing trend in which judges stay trial proceedings upon consent of the parties to be bound by the outcome of reexamination proceedings? Or does this remain an Eastern District of Texas phenomenon? In *Visto Corp. v. Research in Motion Ltd.*,²¹ Judge Chad Everingham in the Eastern District of Texas granted RIM's motion to stay the litigation based on its reexamination of Visto's patents. In the order granting the stay, the court crafted a stipulation that RIM 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. Further, RIM is barred from directly or indirectly instituting any further reexamination proceedings.

6. SNQ Prior Art Rejection and Inequitable Conduct

Does a PTO finding of a substantial new question (SNQ) of patentability have evidentiary value relating to "materiality" in an inequitable conduct determination? Does a PTO rejection of a claim (whether or not in suit) of the patent in suit have evidentiary value relating to "materiality" in an inequitable conduct determination? Does a PTO final rejection of a claim (whether or not in suit) of the patent in suit, or the subsequent affirmation of such rejection by the BPAI or the Federal Circuit, have evidentiary value relating to "materiality" in an inequitable conduct determination?

Consider the situation where an inequitable conduct charge is made during litigation based on the applicant's failure to cite certain known prior art during original prosecution of the patent. In defending the charge, the patent owner asserts that the reference is of little or no materiality. If successful, this forces the accuser to show a higher intent to deceive the PTO by the patent applicant, which is much harder to prove. One way to conclusively demonstrate materiality of the reference may be for the accuser to file an *ex parte* reexamination request. If the PTO grants the reexamination request, then the reference is arguably material, and the "intent" prong of the inequitable conduct case becomes less important under a sliding scale determination.

7. SNQ and KSR

We are beginning to see the impact of the Supreme Court's decision in *KSR* on the requester's ability to meet the "substantial new question" of patentability standard. Does an SNQ of patentability automatically exist for any patentee who overcame a prior art rejection under 35 U.S.C. Section 103(a) in the original prosecution, especially where the applicant relied on the now diminished teaching-suggestion-motivation to combine test? How will the CRU deal with *KSR* in terms of the SNQ and the subsequent reexamination of the claims?

Decisions to grant reexamination requests aside, it is becoming increasingly clear that defending obviousness rejections, whether during normal prosecution or during reexamination, will

21 *Visto Corp. v. Research in Motion Ltd.*, No. 2:06-cv-181 (E.D. Tex. July 2, 2008).

likely require the use of expert fact testimony. This is particularly true in determining the factual question of what one skilled in the art would have known at the time of application filing. In fact, using expert testimony in the form of affidavits and declarations may be the only practical way to overcome a well-crafted obviousness rejection.

The practical impact of *KSR* is discussed more fully below in section III.A.3-4.

8. *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 72 months, is the vehicle of reexamination more suitable for a slow court? As noted above in section II.B.1., 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. The authors are aware of one recent ITC case where the presiding ALJ granted a stay pending reexamination of the patent-in-suit.²² 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, or avoidance of a particularly complex trial are not sufficient reasons to grant *mandamus*. In light of this case and because of the speed with which the ITC conducts its investigations, if the ITC were to begin granting stays for reexaminations as a matter of course, it would seriously impact the way the agency conducts its business. The authors would be surprised if the ITC were to ever grant a stay for a reexamination, unless perhaps the CRU had already issued a final rejection and the case were on appeal at the BPAI or the Federal Circuit.

9. *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 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?

10. *Interplay Between Co-Pending Reissue Applications and Reexamination Proceedings*

We are aware of situations where a patent owner has, upon being subjected to a reexamination request, proceeded to file a reissue application. If the request is within two years of the issue date of the patent, a broadening reissue request may be filed. The PTO may merge a reexamination proceeding with a reissue application. What are the advantages or disadvantages for the parties? What factors go into the PTO's calculus in determining when or whether to merge co-pending proceedings?

²² *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).

When subject to a reexamination request, should a patent owner consider filing a reissue application to preserve rights to subsequent prosecution? This could be particularly important when the reexamination request is filed within the two-year window, during which applicants may file a broadening reissue application. A patent owner may not broaden claims during reexamination, but a broadening reissue application may preserve that right. The PTO may merge reissue and reexamination proceedings under 37 C.F.R. Section 1.991. However, several of the authors have experienced that, where there is tension between the two proceedings, prosecution of the reissue application will likely be stayed.²³ This is due primarily to the statutory mandate to conduct reexaminations with “special dispatch” and a perceived inability to proceed in *ex parte* fashion with the reissue application while at the same time proceeding in an *inter partes* fashion with the reexamination.

11. 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 invalid. Litigants thus should pay special attention in the court filings relating to stays to explain the current reexamination environment.

12. Interplay Between the Court’s Claim Construction and PTO Construction

The claim construction by the court often will be different and usually narrower than the PTO’s construction. PTO practice dictates that claims be given their broadest reasonable interpretation consistent with the specification, and the PTO is not limited by the considerations adopted by the trial court. In district court proceedings, on the other hand, one canon of claim construction states that claims should be construed narrowly if necessary to preserve their statutory presumption of validity. While the CRU is not bound by a district court’s claim construction, it is the author’s experience that the CRU will pay close attention to claim construction positions taken by the parties during the litigation. It seems the CRU takes a dim view of inconsistent positions.

13. Burden of Proof

In the world of litigation, patent claims enjoy a presumption of validity, overcome only by clear and convincing evidence. In contrast, no such evidentiary presumption exists during reexamination before the PTO. Because of the patent owner’s ability to amend claims, the PTO and the CRU use a “preponderance of the evidence” standard for adjudging invalidity.²⁴ For this reason, challenging a patent’s validity 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. As noted in the next section, if claims are substantively amended, liability for past damages is put at serious risk.

²³ See, e.g., Reexamination Control No. 95/000,155.

²⁴ MPEP Section 706.1, (“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.”).

14. Limiting Patent Damages

Official PTO statistics (provided in section VII, *infra*) indicate that approximately two-thirds of patents put through reexamination result in some change to their claims. Ten percent are canceled outright.²⁵ Where claims are substantively amended, the accused infringers are no longer liable for past damages. This can be crucial where the patent term is short or the accused infringers have clear and inexpensive design-around options.

15. Prosecution Headache

Restarting prosecution in reexamination (*ex parte* or *inter partes*) creates the real world specter of prosecution estoppels and inconsistencies creating adverse impact on subsequent patent litigation, including such impact on patent applications in the technology family of the patent owner.

16. Admissibility of Events in the Reexamination to the Jury

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? What about a decision by the BPAI? What if the claim(s) survive reexamination at the CRU? Does this make reexaminations more attractive in bench trials?

17. 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.²⁶

18. Some Have Nicknamed the CRU as the “Central Rejection Unit.” Is There Any Practical Truth To This Moniker?

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 and thus 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 nonobviousness 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.

²⁵ Some critics assert that there is insufficient granularity in these PTO stats to reflect situations where some but not all asserted claims are found to be invalid or are substantially amended.

²⁶ 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).

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.

III. ADVANCED REEXAMINATION PRACTICE WITH CONCURRENT DISTRICT COURT LITIGATION

Not all of the issues raised above are covered in detail below. However, the following sections should provide a patent litigator with at least the basic information needed to advise clients who are considering incorporating reexamination into their overall patent litigation strategy. The impact of *KSR* is also discussed in some detail.

A. General Tenets

1. The Standard of Proof for Validity is Different for Reexamination than in District Court

The PTO reexamines patents using the same standards that it uses for original examinations. There is thus no presumption of validity for claims during reexamination.²⁷ Further, non-patentability of claims only requires a showing by a preponderance of evidence.²⁸ In U.S. district courts, on the other hand, patents enjoy a presumption of validity under 35 U.S.C. Section 282. Under that presumption, invalidating claims requires a showing by clear and convincing evidence. In sum, therefore, it should be easier to invalidate claims in view of prior art in a reexamination proceeding than at trial.

2. Claim Construction is Different in a Reexamination Proceeding than in District Court

During reexamination proceedings, claims are construed with their broadest reasonable interpretation, consistent with the specification.²⁹ For this reason, a Markman order in district court litigation has no preclusive effect on the PTO and is not binding thereon.³⁰ A broad claim construction draws in more potential prior art.

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 that used by the PTO and may thus limit the world of available prior art.

3. KSR Has Likely Made it Easier for a Requester to Show a Substantial New Question of Patentability

In *KSR*, the Supreme Court overturned settled obviousness jurisprudence and refocused the obviousness calculus on the approach set forth more than 40 years ago in *Graham v. John Deere*. More specifically, the Supreme Court overturned the Federal Circuit’s rigid application of the teaching-suggestion-motivation to combine (“TSM”) test that had become the hallmark of patentability in view of multiple prior art references. By loosening the use of the TSM test with a more subjective approach to determining obviousness, the Supreme Court arguably made it easier to reject patent applications and invalidate patents over combinations of prior art references. The *KSR* decision also calls into question the validity of literally hundreds of thousands of existing patents granted under the TSM standard.

27 *In re Etter*, 756 F.2d 852, 855-59 (Fed. Cir. 1985).

28 *Xerox Corp. v. 3Com Corp.*, 69 F. Supp. 2d 404, 406-07 (W.D.N.Y. 1999).

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

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

In view of the new obviousness standard, the CRU will have to determine what threshold a requester must meet to satisfy the substantial new question of patentability when the requester relies on a combination of prior art references. Arguably, a substantial new question (“SNQ”) of patentability exists over any patent that overcame an obviousness rejection by relying on TSM. Further, where new prior art comes to light that was not considered by the PTO, a challenge to patent validity could become measurably easier.

For the CRU to grant a reexamination request, the applicant must convince the CRU that there is a SNQ of patentability.³¹ The PTO clearly views *KSR* as effecting a sea change to the obviousness calculus. Because the obviousness standard is retroactive, the practical reality is that a SNQ of patentability likely exists for nearly every issued patent that faced and overcame an obviousness rejection based on a combination of prior art references. This is especially true where the patent applicant relied on the old teaching-suggestion-motivation to combine test in overcoming the obviousness rejection.

Facing a potential flood of challenges to issued patents in view of *KSR*, the CRU will need to adopt standards to determine whether a SNQ exists vis-à-vis an applicant relying solely on *KSR* and previously reviewed prior art combinations. Based on our off-the-record conversations with PTO officials, the CRU has not yet developed those standards. Realistically and practically speaking, however, a reexamination applicant will likely have to do more than simply point to *KSR* and a previously considered prior art combinations. The minimum threshold for raising a SNQ based solely on previously considered prior art seems to be that this prior art must be viewed in “a new light.” A full development of the obviousness arguments will likely be required, and reexamination applicants should expect the CRU to exercise its discretion in finding a SNQ of patentability in these circumstances.

In sum, the Supreme Court’s decision in *KSR* could have a potentially profound effect on reexamination practice—both on the number of reexaminations filed and on the ease with which challengers may invalidate patents. If either number increases significantly, the effect on reexamination pendency and on district court patent litigation could be profound.

4. *KSR Has Also Impacted What the PTO Considers as Analogous Art*

In *KSR*, the Supreme Court stated that “any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.”³² Indeed, the Court stated that “familiar items may have obvious uses beyond their primary purposes.”³³ These statements from *KSR* may also impact the world of prior art available to an accused infringer contemplating reexamination because *KSR* appears to weaken arguments that the applied art is “non-analogous.”³⁴

5. *The PTO is Not Bound by a Prior Determination of Validity by a U.S. Court*

The PTO can invalidate patent claims that were previously declared not invalid by a U.S. court. Thus, while the Office may accord deference to factual findings made by the court, the determination of whether a substantial new question of patentability exists will be made independently of the court’s decision on validity, since the decision is not controlling on the Office.³⁵ A non-final holding of claim invalidity or unenforceability will also not be controlling on the question of whether a substantial new question of patentability is present. Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the Office. In such cases, a substantial new question of patentability would not be present as to the claims held invalid or unenforceable.³⁶ In other words, the PTO will not reexamine patent claims that were previously invalidated by a U.S. court.

³¹ See 37 C.F.R. Section 1.515.

³² *KSR Int’l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727, 1742 (2007). For an early analysis of *KSR*, see generally Matthew J. Dowd, Kenneth C. Bass, III, & Robert Greene Sterne, *KSR International Co. v. Teleflex, Inc.: Another Small Issue for Nanotechnology*, 4 NANOTECHNOLOGY L. & BUS. 293 (2007).

³³ *KSR*, 127 S. Ct. at 1742.

³⁴ See *In re Icon Health & Fitness, Inc.*, 496 F.3d 1374, 1380-81 (Fed. Cir. 2007).

³⁵ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988).

³⁶ See MPEP Section 2686.04.

6. *The Duty of Disclosure for the Patentee is Likely Not Relaxed During Reexamination*

A patent owner has a duty of disclosure during reexamination; the third party requester does not. As a result, a patentee must take great care to fully disclose to the PTO all prior art that it knows of as a result of the litigation, especially that art that was not used by the reexamination requester. As discussed above, courts have not yet adjudicated the full scope of whether the PTO's Rule 56 duty of disclosure applies to the trial team in a patent litigation. The trial team may be expressly precluded by the protective order from participating in the reexamination, and therefore may not fall under Rule 56. However, the patent owner will likely remain apprised of ongoing litigation, and Rule 56 will likely apply. It bears repeating that failure by the patent owner to disclose to the PTO such prior art could result in a claim of inequitable conduct and could render the entire patent unenforceable, irrespective of whether the patent survives the reexamination proceedings.

B. *Potential Benefits/Risks of Reexamination for Accused Infringers*

1. *Reexaminations May Affect Infringement Contentions*

Arguments and amendments can potentially help a defendant's non-infringement defense, especially where a patent owner is forced to make narrowing arguments or amendments to key claim terms or phrases. Finally, many judges will stay litigation proceedings pending the outcome of reexamination. Because of the potential impact on infringement contentions, reexamination requests should be filed on all patents-in-suit, if possible, and on all the asserted claims.

2. *Reexamination May Affect Damages*

Substantive amendments made during reexamination may defeat damages for past infringement by creating intervening rights.³⁷ A patent owner cannot seek damages for claims that are not substantially identical to the original claims.³⁸ There is no *per se* rule for determining whether a claim is not "substantially identical."³⁹ 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."⁴⁰ The determination is a legal one, and a claim is changed if its scope is changed.⁴¹

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 patent was 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 June 30, 2008:

- 72% of *ex parte* reexaminations initiated by a third party resulted in some or all of the claims being canceled or amended. Only 28% survived with all claims being confirmed.⁴²
- 78% of *inter partes* reexaminations resulted in all claims being canceled, while 93% resulted in some change to the claims. Only 7% survived with all claims being confirmed.

A full set of current CRU statistics are included at the end of this paper.

37 35 U.S.C. Section 307(b).

38 *Bloom Eng'g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997).

39 *Laitram Corp. v. NEC Corp.*, 952 F.2d 1357, 1358 (Fed. Cir. 1991).

40 *Id.* at 1362-63.

41 *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir. 1989).

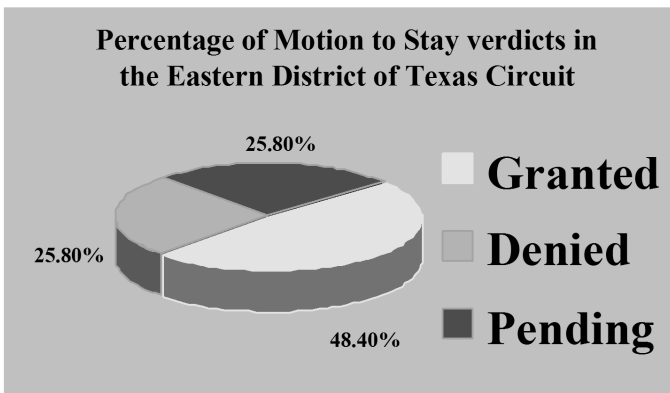
42 Recall that *ex parte* reexaminations may also be initiated by request of the patent owner or the Director.

3. *The Litigation May be Stayed*

A grant of reexamination may serve as a basis for a stay of trial proceedings. A stay is unlikely to be granted based simply on a reexamination request. The probability of a stay may increase after a reexamination is ordered (typically about two months after the request according to CRU goals), or after the first Office Action on the merits, which may accompany the order in an *inter partes* reexamination. This encourages early filing of reexaminations in a court proceeding, especially in a fast track court or the ITC. A stay can delay the expense of trial for several years even when the reexamination does not result in any claim change. Over time, the patent owner may lose interest, key personnel, and/or financial resources, or other events in favor of the accused infringer could occur. Accordingly, a stay may improve the accused infringer's settlement negotiating position.

Factors the court will consider in determining whether to grant a stay include whether the non-moving party will be unduly burdened or prejudiced by the stay, whether a stay will simplify the issues for trial, and whether discovery has been completed and a trial date set. Thus, a stay has a better chance of being granted if the order granting reexamination is received early in the litigation, before discovery is completed. A motion for a stay should also be filed before the Markman hearing; the parties and the judge will likely not want to endure the time and expense of a Markman hearing if there is any likelihood that the asserted claims will be amended during reexamination proceedings.

The following chart reflects the status of motions to stay litigation filed from June 1, 2005, to June 1, 2007, in the Eastern District of Texas.⁴³



An order to stay the litigation may come in several flavors, and district court judges have broad discretion in crafting litigation stays. For example, in addition to the estoppels that already explicitly apply to *inter partes* reexamination, a district court judge could make the same estoppels apply in the context of an *ex parte* reexamination request. For example, the stay may preclude future use of any art cited in the reexamination request to later challenge the validity of the asserted patent. At the other end of the spectrum, a stay could implement a form of issue preclusion and prevent the requester from challenging the validity of the patent over any art or arguments that were or could have been brought during the reexamination proceeding. A party seeking a stay in view of reexamination proceedings would do well to investigate the types of stays granted by the judge and in the relevant jurisdiction.

4. *Reexamination May Affect Settlement*

Because of these risks to the patent owner, a grant of reexamination, or an office action that is adverse to the patent claims, especially a final rejection, may improve the defendant's settlement

⁴³ Graphic taken from PowerPoint presentation accompanying Federal Circuit Bar Association webinar on "Current State of Re-Exams at the USPTO," presented on September 13, 2007. Data obtained from PACER. Ms. Lissi Marquis and Mr. Greg Novak, two of the panelists for this Sedona Reexamination Panel, were presenters for the FCBA program.

negotiating position. As discussed above, some practitioners suggest presenting a reexamination request to the patent owner prior to submitting the request to the PTO (*i.e.*, a “pocket reexamination request”) to encourage early settlement on more favorable terms. However, once launched, a reexamination cannot be recalled. If a bluff is called, the requester should be prepared to follow through with the reexamination.

C. Potential Risks of Reexamination for Accused Infringer

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 deal with all of the art in the litigation and to present arguments and declarations that support patentability of the claims over this art, including 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 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 survives reexamination, most judges will defer to the presumed administrative expertise of the PTO, CRU, and BPAI.

Finally, 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. The added claims could strategically cover aspects of the invention not included in the issued claim set, although prohibitions against broadening amendments may bar such activity.

IV. 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, 3 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 4 supervisors, while the clerical staff remains at 10. An announcement has been made that the CRU is looking for 7 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 are selected from the ranks of the PTO examiner corps and have an average of approximately 17 years of examining experience. Many of the examiners also have advanced technical degrees and/or law degrees. The 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.”⁴⁴ 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. The assigned examiners do not include an examiner who examined the original patent application.

B. Expedited Handling

Reexamination requests first undergo review by the CRU staff to ensure compliance with the rules. If the reexamination request passes this muster, a notice of request is made public in the Official Gazette. If the examination panel subsequently determines that there is a substantial new question of patentability, then that 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. This number has fallen from roughly 15% in previous years.

Once a satisfactory request has been made, the CRU has a three-month deadline to issue a decision on a SNQ. Further, the CRU has established a goal to issue a final office action within two years of the filing of a request for reexamination. All reexaminations are handled with “special dispatch” by statutory mandate. 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 CRU has dedicated paralegals that search litigation databases for case status before each office action is mailed. Reexaminations pending for nearly two years are assigned the highest priority.

Currently, at least 50% of the pending reexamination requests lay in the electrical/software/business method arts. This percentage is growing. While there may be a perception that reexamination is disfavored in the chemical/biological arts, we note that these numbers more likely mirror 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 2-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 2-year point.

As yet there are no reliable statistics on the pendency of reexaminations appealed to the BPAI. 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. The BPAI has a stated goal of then rendering a reexamination decision in six months. An appeal to the BPAI is unlikely to run its course in less than a year. To date, we are unaware of any *inter partes* reexamination that has completed the appeals process.

C. Interaction Between CRU and OPLA

As noted above, the CRU works closely with the Office of Patent Legal Administration (“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 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.

⁴⁴ 35 U.S.C. Section 305.

D. 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 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 PTO Director. A petition to the Director may trigger the transfer of the reexamination file from the CRU to the Director, which may delay the reexamination proceeding.

E. 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.

The deadlines in reexaminations are extremely short, and extensions of time are usually not available. Unfortunately the delay by the PTO in posting documents on PAIR in a reexamination often takes 7 to 14 business days. Further, parties to the reexamination often do not receive any paper notification for several days after a document has been mailed or filed. This delay is unsatisfactory and needs to be eliminated.

In certain celebrated situations in the past 12 months, the stock price (and company valuation) of a publicly traded patent owner has dropped precipitously due to the issuance of a non-final office action rejecting some or all of the claims of the patent in reexamination. 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 significant 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 for attorneys to engage in when “litigating in the press.”

V. INSTITUTING AND PROSECUTING REEXAMINATIONS

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 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.

B. The Request

A request for reexamination must include a statement pointing out each substantial new question (SNQ) of patentability. The SNQ must be based on prior patents and/or printed publications.⁴⁵ Other patentability issues, such as prior public use or insufficiency of the disclosure, will not be considered for instituting a reexamination.

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.⁴⁶ Failure to address each submitted reference in the detailed description will result in a denial of a filing date. The filing date starts the two-year period in which the PTO strives to issue a final office action. The CRU and its staff are known to be hyper-technical in reviewing reexamination requests. Any procedural 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 requests that have been successful to use as a template.

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 a substantial new question of patentability, and claim rejections, can be based solely on previously cited/considered "old" prior art, or in combination with other prior art.⁴⁷

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.⁴⁸ Subsequent requests for *ex parte* reexamination by a third party requester are permitted. Co-pending reexamination proceedings may be merged.⁴⁹ The patent owner is not permitted to broaden the scope of claims during *ex parte* reexamination.⁵⁰ A third party requester can petition the PTO Director to review a determination refusing *ex parte* reexamination.⁵¹ The Director's decision 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.⁵² Where the *ex parte* reexamination was requested by a third party, the third

45 37 C.F.R. Sections 1.510(b)(1), 1.915(b)(3).

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

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

48 35 U.S.C. Section 302; 37 C.F.R. Section 1.510.

49 37 C.F.R. Section 1.565.

50 *Id.* Section 1.552(b).

51 *Id.* Section 1.515(c).

52 *Id.* Section 1.530.

party is entitled to respond to the patent owner's statement.⁵³ 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.⁵⁴

D. Director-Initiated Ex Parte Reexamination

The PTO Director can institute *ex parte* reexaminations *sua sponte*.⁵⁵ Under current PTO practice, the Director can institute a reexamination only upon a finding that a patent brings disrepute 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. 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.

E. Inter Partes Reexamination

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.⁵⁶ *Inter partes* reexamination is only available for patents that issued from an original application filed in the United States on or after November 29, 1999.⁵⁷ Until recently, the meaning of "an original application" was not fully settled.⁵⁸ The issue was whether an *inter partes* reexamination can be filed on a patent from a continuation 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 the district court⁵⁹ and subsequently affirmed by the Federal Circuit. The practical effect is that any patent whose actual filing date is on or after November 29, 1999, is eligible for *inter partes* reexamination, irrespective of whether its 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.⁶⁰

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.⁶¹ 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.⁶²

F. Estoppels in Inter Partes Reexamination

A third party cannot argue invalidity in a civil patent action on any ground that was or could have been raised in a prior *inter partes* reexamination requested by the third party. The third party is not, however, precluded from asserting invalidity based on newly discovered art that was

⁵³ *Id.* Section 1.535.

⁵⁴ 35 U.S.C. Section 306.

⁵⁵ *Id.* Section 303; 37 C.F.R. Section 1.520.

⁵⁶ 37 C.F.R. Section 1.913.

⁵⁷ *Id.*

⁵⁸ See *Cooper Techs. Co. v. Dudas*, No. 2008-1130, slip op. at 2-7 (Fed. Cir. Aug. 19, 2008).

⁵⁹ *Cooper Techs. Co. v. Dudas*, 85 U.S.P.Q.2d 1465 (E.D. Va. 2007) (Brinkema, J.).

⁶⁰ 37 C.F.R. Section 1.927.

⁶¹ 35 U.S.C. Section 315(a).

⁶² *Id.* Section 315(b).

unavailable to the third party requester and the PTO at the time of the *inter partes* reexamination.⁶³ Similarly, a third party cannot request *inter partes* reexamination on the basis of issues that the third party raised or could have raised in a prior civil patent action.⁶⁴

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.⁶⁵ 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.⁶⁶

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.⁶⁷

In summary, failure to cite all known or available prior art in a request for *inter partes* reexamination could preclude the requester from submitting the prior art during the *inter partes* reexamination and in any future *inter partes* reexamination.

VI. MERGER AND STAYS IN CONCURRENT PTO PROCEEDINGS

It is possible and not too uncommon to have reexaminations that are co-pending with other reexaminations, or even with other post-grant proceedings such as reissue applications. Co-pending proceedings may be merged. Alternatively, one may be stayed relative to another. The determination is decided on a case-by-case basis, and the parties may plead their case by petition. Factors include the relative status of one to the other in terms of completeness, the status of any co-pending litigation, and the nature of the proceeding itself. The various rules are listed below; however any ultimate action is at the discretion of the Director.

- Merger of *ex parte* reexamination with co-pending *ex parte* reexamination, reissue and interference proceedings. 37 C.F.R. Section 1.565.
- Merger of *ex parte* reexamination with reissue and interference proceedings. 37 C.F.R. Section 1.989(a).
- Merger of *ex parte* reexamination and *inter partes* reexamination proceedings. 37 C.F.R. Section 1.989(b).
- Merger of concurrent reissue application and *inter partes* reexamination proceeding. 37 C.F.R. Section 1.991.
- Suspension of concurrent interference and *inter partes* reexamination proceedings. 37 C.F.R. Section 1.993.
- Third party requester rights preserved in merged proceedings. 37 C.F.R. Section 1.995.

⁶³ *Id.* Section 315(c).

⁶⁴ 37 C.F.R. Section 1.907(b).

⁶⁵ *Id.* Section 1.907(a).

⁶⁶ *Id.* Section 1.907(c).

⁶⁷ *Id.* Section 1.948.

VII. REEXAMINATION STATISTICS⁶⁸

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 August 12, 2008. A sampling of that review is provided herewith.

The review of the requests shows that 100 *inter partes* reexamination requests were made involving 76 unique patent owners. There were 446 *ex parte* reexamination requests involving 298 unique patent owners. For *inter partes* reexaminations, the unique patent owners included 78 U.S.-based companies and 7 Japanese companies, with the remainder of the patent owners based in 7 other countries. For *ex parte* reexaminations, the unique patent owners included 362 U.S.-based companies and 28 Japanese companies, with the remainder of the patent owners based in 14 other countries.

The technologies involved were similarly diverse. The *inter partes* reexamination requests involved 54 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” and “Telephonic communications.” Each of these classes had 6 *inter partes* reexamination requests. Half of the top ten classes involved computing or communications technologies. The *ex parte* reexamination requests involved 140 different technology classes with the top ten technology classes representing 35% of the total number of classes. The top three technology classes with the most *ex parte* reexamination requests were “Electrical computers and digital processing systems: multicomputer data transferring” (34), “Surgery” (30) and “Drug, bio-affecting and body treating compositions” (15).

The following pages are the most recent reexamination statistics from the PTO (dated June 30, 2008).

⁶⁸ The authors wish to express their appreciation to Ms. Lissi Marquis, former head of the CRU, for these statistics, her input on this article, and being on the faculty and the panel discussion on this topic at the Eighth Annual Sedona Patent Litigation Conference. However, Ms. Marquis is not endorsing anything in this article since the views expressed herein are solely those of the authors as noted above in footnote 2.

2008 REEXAMINATION STATISTICS

Ex Parte Reexamination Filing Data – June 30, 2008

1.	Total requests filed since start of <i>ex partes</i> reexam on 07/01/81	9382 ¹	
	a. By patent owner	3540	38%
	b. By other member of public	5677	60%
	c. By order of Commissioner	165	2%
2.	Number of filings by discipline		
	a. Chemical Operation	2763	29%
	b. Electrical Operation	3173	34%
	c. Mechanical Operation	3296	35%
	d. Design Patents	150	2%
3.	Annual <i>Ex Parte</i> 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 250 2006 511		
	1983 186 1991 307 1999 385 2007 633		
	1984 189 1992 392 2000 318 2008 487 YTD		
	1985 230 1993 359 2001 296		
	1986 232 1994 379 2002 272		
	1987 240 1995 392 2003 392		
	1988 268 1996 418 2004 441		
4.	Number known to be in litigation	2533	27%
5.	Decisions on requests	9080	
	a. No. granted	8329	92%
	1. By examiner	8216	
	2. By Director (on petition)	113	
	b. No. denied	751	8%
	1. By examiner	716	
	2. Reexam vacated	35	
6.	Total examiner denials (includes denials reserved by Director)	829	
	a. Patent owner requester	441	53%
	b. Third party requester	388	47%
7.	Overall reexamination pendency (Filing date to certificate issue date)		
	a. Average pendency	24.3 (mos.)	
	b. Median pendency	18.9 (mos.)	

1. Of the requests received in FY 2008, 17 requests have not yet been accorded a filing date, and preprocessing of 13 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 Requester	3rd Party Requester	Comm'r Initiated	Overall
a. All claims confirmed	23%	28%	12%	25%
b. All claims cancelled	7%	13%	21%	11%
c. Claims changes	70%	59%	67%	64%
9. Total ex parte reexamination certificates issued (1981 – present)6278				
a. Certificates with all claims confirmed			1595	25%
b. Certificates with all claims canceled			678	11%
c. Certificates with claims changes			4005	64%
10. Reexam claim analysis – requester is patent owner or 3rd party; or Comm'r initiated.				
a. Certificates – PATENT OWNER REQUESTER2667				
1. All claims confirmed			603	23%
2. All claims canceled			204	7%
3. Claim changes			1860	70%
b. Certificates – 3rd PARTY REQUESTER3464				
1. All claims confirmed			974	28%
2. All claims canceled			443	13%
3. Claim changes			2047	59%
c. Certificates – COMM'R INITIATED REEXAM147				
1. All claims confirmed			18	12%
2. All claims canceled			31	21%
3. Claim changes			98	67%

Inter Partes Reexamination Filing Data – June 30, 2008

1.	Total requests filed since start of <i>inter partes</i> reexam on 11/29/99	436 ¹																									
2.	Number of filings by discipline																										
a.	Chemical Operation	104	24%																								
b.	Electrical Operation	162	37%																								
c.	Mechanical Operation	159	36%																								
d.	Design Patents	11	3%																								
3.	Annual Reexam Filings																										
	<table border="1"> <thead> <tr> <th>Fiscal Yr.</th> <th>No.</th> <th>Fiscal Yr.</th> <th>No.</th> <th>Fiscal Yr.</th> <th>No.</th> </tr> </thead> <tbody> <tr> <td>2000</td> <td>0</td> <td>2003</td> <td>21</td> <td>2006</td> <td>70</td> </tr> <tr> <td>2001</td> <td>1</td> <td>2004</td> <td>27</td> <td>2007</td> <td>126</td> </tr> <tr> <td>2002</td> <td>4</td> <td>2005</td> <td>59</td> <td>2008</td> <td>128 YTD</td> </tr> </tbody> </table>	Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.	2000	0	2003	21	2006	70	2001	1	2004	27	2007	126	2002	4	2005	59	2008	128 YTD		
Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.																						
2000	0	2003	21	2006	70																						
2001	1	2004	27	2007	126																						
2002	4	2005	59	2008	128 YTD																						
4.	Number known to be in litigation	243	56%																								
5.	Decisions on requests	391																									
a.	No. granted	372	95%																								
	1. By examiner	372																									
	2. By Director (on petition)	0																									
b.	No. not granted	19	5%																								
	1. By examiner	16																									
	2. Reexam vacated	3																									
6.	Overall reexamination pendency (Filing date to certificate issue date)																										
a.	Average pendency	32.7 (mos.)																									
b.	Median pendency	31.0 (mos.)																									
7.	Total <i>inter partes</i> reexamination certificates issued (1999 - present)	27																									
a.	Certificates with all claims confirmed	2	7%																								
b.	Certificates with all claims canceled (or disclaimed)	21	78%																								
c.	Certificates with claims changes	4	15%																								

1. Of the requests received in FY 2008, 4 requests have not yet been accorded a filing date, and 7 requests 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).