

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

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

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AUTHORS' NOTE

Patent reexamination was first selected as a topic for presentation at The Sedona Conference® on Patent Litigation in 2006. Version 1 of this paper was first published as part of that conference. The Sedona Conference's® on Patent Litigation in 2007, 2008 and 2009 each addressed reexamination and concurrent patent litigation, and subsequent versions of this paper accompanied those Sedona dialogues. Other versions accompanied presentations made at ACPC, IPO and PLI Conferences. Now in Version XI, it will accompany the Sedona dialogue on this topic that will take place on October 21, 2010, at the Sedona Patent Litigation Conference XI (2010).² In all versions, the authors address current procedure, process, and cutting-edge topics in reexamination practice and concurrent litigation. This paper subscribes to a neutral Swiss approach of presenting all sides of an issue and does not advocate for any particular view so that discussion may ensue. Many have provided comments and information for this article, including judges, senior officials from the PTO, Congressional staffers, patent owners, 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 patent owners and third party requesters and are on the editorial board of the foremost Internet site on reexamination, The Reexamination Center (www.reexamcenter.com). However, the views expressed herein are for purposes of dialogue and do not necessarily reflect the individual views of the authors.

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2 <http://www.thosedonaconference.org/conferences/20101021>.

TABLE OF CONTENTS

I.	Introduction.....	4
II.	Hot Topics and New Developments.....	6
	A. Reexamination Pendency	6
	B. Litigation Stays	9
	C. Protective Orders	10
	D. Substantial New Questions of Patentability	11
	E. Post-Grant Review Proposals	13
	F. Multiple PTO Proceedings Involving the Same Patent - Merger and its Impact on Reexamination Proceedings	14
	G. Appeals of <i>Inter Partes</i> Reexaminations to BPAI and Federal Circuit	16
	H. Impact of Reexamination on Remedies	17
	I. Impact of Reexamination and Court Decisions on Stock Price	20
	J. Impact of Settlement Agreements on <i>Inter Partes</i> Reexamination.....	22
	K. Impact of Reexamination on Willfulness and Inequitable Conduct.	23
	L. Retained Reexamination Experts	24
III.	The Parallel Universes Examined	25
	A. Scope of Proceedings	25
	B. Standard of Review	26
	C. Claim Construction.....	26
	D. Decision Makers	27
	E. District Court v. Central Reexamination Unit.....	27
	F. Cumulative Effect	28
IV.	Reexamination Strategy Considerations When Litigation is Threatened or Pending.....	28
	A. Reexamination Pendency	28
	1. Pendency before the CRU	29
	2. Pendency before the BPAI	31
	3. Pendency conclusion.....	32
	B. Settlement	33
	C. Litigation Stays	33
	D. Protective Orders.....	36
	1. Scope of the Duty of Disclosure in a Reexamination Proceeding	37
	2. Considerations for Crafting a Protective Order.....	38

- 3. Handling Conflicting Duties38
- 4. Submission of Evidence Supporting Patentability39
- E. Impact on Trial40
- F. Damages40
- G. Potential risks for accused infringers41
- H. Timing of Reexamination Requests – When to File?42
- I. Multiple *Ex Parte* Reexamination Requests44
- J. Additional Strategic Questions to Consider45
 - 1. Withholding of prior art.....45
 - 2. Experts’ independence46
 - 3. Privilege issues46
 - 4. Fast courts versus slow courts46
 - 5. Cases with multiple defendants47
 - 6. The judge’s perception of reexamination requests48
 - 7. Impact on laches.....48
 - 8. Duty of Disclosure48
- V. Basic Reexamination Practice.....51
 - A. Generally51
 - B. The Request and the SNQ52
 - 1. The substantial new question (“SNQ”) generally52
 - 2. *In re Swanson* and the SNQ53
 - 3. KSR and the SNQ53
 - C. Impact of KSR on Reexamination Practice55
 - D. *Ex Parte* Reexamination56
 - E. Director-Initiated *Ex Parte* Reexamination.....57
 - F. Inter Partes Reexamination57
 - 1. Generally57
 - 2. Estoppels in inter partes reexamination58
 - 3. Real Party in Interest59
 - G. Mergers of Concurrent Proceedings.....60
 - 1. Merger of Co-Pending Reexaminations60
 - 2. Merger of Co-Pending Reissue Applications and Reexaminations....61
 - H. Extensions of Time62
 - I. Page Limits For *Inter Partes* Reexamination Papers63

J.	Evidence Considerations	64
VI.	Central Reexamination Unit (CRU) Improves Quality and Reduces Pendency	65
A.	Dedicated Examiners	65
B.	Interaction Between CRU and OPLA	66
C.	Practice Suggestions	66
D.	Recommendations That Are Circulating	66
1.	Extensions of Time	67
2.	Page Limit Waivers	67
3.	Adopt an “Interference-type” Approach	68
E.	CRU Criticisms	68
F.	Practitioner Criticisms	68
VII.	Reexamination Statistics	69

I. INTRODUCTION

This paper addresses the interplay between patent litigation before the federal courts or the United States International Trade Commission (“ITC”) (collectively, “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 and patentability³, each forum poses a distinct set of challenges and risks for those challenging or defending patent validity. These so-called parallel universes use different rules, standards, procedures, time lines, and results in cases involving the same patent. High-profile cases involving reexaminations and co-pending litigation include *NTP, Inc. v. Research in Motion, Ltd.*⁴ (patents found to cover the BlackBerry), *TiVo v. EchoStar*,⁵ (TiVo’s DVR patents), *i4i v. Microsoft*, (patent covering XML functionality), *Uniloc v. Microsoft*, (patent covering anti-piracy protection), *Cordis v. Abbott*, (drug eluting stents). In another well-known case, Amazon’s patent covering its “one-click” Internet shopping method was recently confirmed in reexamination.⁶ These high-profile cases, some involving highly profitable products or large damage awards, highlight the critical interplay between the parallel universes of the courts and the PTO.

Two primary factors have contributed to the increased use of reexamination as an alternate or additional venue to challenge patent validity where district court litigation has been initiated. First, in 2005, the PTO streamlined reexamination by creating the Central Reexamination Unit (“CRU”), making it a more viable venue for post-grant validity challenges. 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 reexamination filings is an indication, its formation has put teeth into a process previously perceived as pro-patent owner and plagued by delay and uncertainty.

³ In reexamination, the PTO reviews an issued patent unpatentability. The courts decide the issue of patent validity. This distinction is important. For convenience, the authorities refer to these distinct issues collectively as a questions of validity.

⁴ *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d. 1282, 1326 (Fed. Cir. 2005).

⁵ *TiVo, Inc. v. EchoStar, et al.*, 446 F. Supp. 2d (E.D. Tex. 2006).

⁶ Reexamination No. 90/007,946 for U.S. Patent No. 5,960,411.

Second, the legal landscape surrounding patent validity has been in great flux. The Supreme Court's 2007 decision in *KSR Int'l Co. v. Teleflex, Inc.*⁷ dramatically changed the applicable standard governing determinations of a claimed invention's obviousness, articulating a more flexible standard than the prior teaching-suggestion-motivation standard promulgated by the Federal Circuit. That decision alone appears to have cast serious doubt on the validity of many issued patents. Further, Federal Circuit decisions including *In re Translogic Tech.*⁸ and *In re Swanson*⁹ 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 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 2010.¹⁰ The impact of a potential reexamination is now commonly considered by both parties in nearly every patent litigation and ITC investigation. For that reason, patent owners contemplating a lawsuit must have a strategy in place in the event the accused infringer puts the asserted patent into reexamination. Similarly, every patent infringement defendant should consider the benefits of reexamination as an additional, perhaps more favorable, and less expensive venue in which to challenge patent validity. Finally, district court judges and ITC administrative law judges should be aware of how reexamination can impact their respective proceedings.

This paper is organized differently from a typical journal article. **Section I** presents hot topics and cutting-edge legal developments in reexamination law and practice. This first section presumes the reader is familiar with the use of reexamination as a viable post-grant venue for challenging patent validity. More in-depth treatment of certain of these hot topics is found in other parts of this paper. 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 basic knowledge of reexamination practice. We discuss timing of reexamination requests, the risk-versus-reward calculus, general reexamination tenets, and other, often overlooked, considerations. Finally, **Section IV** is a concise discussion of important aspects of basic reexamination practice. There, 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 CRU, the current issues it faces, and recent initiatives to improve its core processes. **Section VI**, analyzes the most recent reexamination statistics, from both the CRU, and our own independent data collection and analysis.

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

8 *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.).

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

10 One metric for growth is the increase in reexamination filings from one year to the next as demonstrated by average annual increases of 46.4% for *inter partes* and 6.5% for *ex parte* reexaminations from PTO fiscal year 2005 through 2009. Overall, the number of *inter partes* filings in 2009 was 437% of the number filed in 2005 and *ex parte* filings 126%. Straight lining the filings for fiscal year 2010 Q1-Q3 indicates a further increase in both proceedings.

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. In short, reexamination and its satellite issues (such as litigation stays, protective orders, nonobviousness evidence, duty of disclosure) 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 manage the interface between the parallel universes. Our hot topics include:

- (A) Reexamination Pendency
- (B) Litigation Stays
- (C) Protective Orders
- (D) Substantial New Questions of Patentability
- (E) Post-Grant Review Proposals
- (F) Multiple PTO Proceedings Involving the Same Patent
- (G) Appeals of *Inter Partes* Reexaminations to BPAI and Federal Circuit
- (H) Impact of Reexamination on Remedies
- (I) Impact of Reexamination and Court Decisions on Stock Price
- (J) Impact of Settlement Agreements on *Inter Partes* Reexamination
- (K) Impact of Reexaminations on Willfulness and Inequitable Conduct, and
- (L) Retained Reexamination Experts

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, efficient manner—with the “special dispatch” required by statute. To avoid prejudice to patent owners, however, the PTO must act in a deliberate, fair manner by giving the patent owner a full opportunity to defend the patentability of the claims. Second, reexamination pendency is an important factor weighed by the courts when deciding whether to stay concurrent litigation. Third, predictable reexamination timelines are enormously helpful for third party requesters and patent owners when they work reexamination strategies into parallel 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 of the involved parties.

PTO statistics on reexamination pendency are available, and the authors have done their own statistical analysis on reexamination pendency. The results are presented in Section IV.A. However, general statistics are useful only up to a certain point. To perhaps remove some of the uncertainty and provide a more nuanced analysis of reexamination pendency, we share below some general observations on pendency and illustrate how different reexamination milestones can result in widely varying timelines from as little as three months to periods well in excess of six years.

There are several early reexamination milestones from which important clues on pendency may be ascertained: (1) the request, (2) the reexamination order, and (3) the first Office action.

The Request

The request itself can provide a number of early clues to potential reexamination pendency. For example, for how many claims has reexamination been requested—all claims, or only a limited subset of claims such as only those asserted in litigation? How many separate substantial new questions of patentability (“SNQs”) SNQs are alleged? What is the nature of the proposed rejections—do they primarily allege anticipation, or is obviousness in play? How many different references are used for the proposed rejections? Is the request *ex parte* or *inter partes*? Not surprisingly, the CRU is generally slower to act on complicated reexamination proceedings than it is to uncomplicated ones. The requester has complete control of these decisions and can therefore assert some control over likely pendency from the outset.

The Reexamination Order

The reexamination order, which is the first opportunity to see how the CRU received the reexamination request, is the second big pendency milestone. By its own rules, the CRU should rule on whether to initiate a reexamination within three months of the request. The CRU has complete discretion in this regard and a number of scenarios are possible, all of which have a direct impact on reexamination pendency.¹¹ For example, the reexamination request can be denied, granted in full, or anything in between. Clearly, an outright denial—a finding of no SNQ—does not bode well for the requester and can lead to a very short pendency. On the other hand, full or partial adoption of the alleged SNQ’s indicates the CRU was at least persuaded that the reexamination should move forward.

The First Office Action

The first Office action will also have many clues to potential reexamination pendency. For *ex parte* reexamination, the first Office action cannot arrive until after the period for patent owner response has expired.¹² For *inter partes* reexamination, PTO procedures dictate that the reexamination order be accompanied by the first Office action on the merits.¹³ Just because the CRU has adopted all or part of the alleged SNQs does not necessarily imply that a full-blown reexamination is in the works. For instance, the CRU is well within its authority order a reexamination, and then in the first Office action indicate that one or more of the claims under reexamination are allowable. This bodes well for short pendency. On the other hand, full adoption by the CRU of the proposed grounds of rejection indicates longer pendency. As with the reexamination order itself, the first Office action will provide the parties with a decent idea of how receptive the CRU is to the reexamination request. Most district court judges will not consider staying a concurrent litigation at least until the CRU has ruled on whether to initiate the reexamination. And no stay decision should be made without at least considering the details of the reexamination order and first Office action.

For *inter partes* reexamination, these first three milestones should all occur no later than three months after the initial request for reexamination. For *ex parte* reexaminations, these milestones should occur five to six months after the reexamination request. These first three milestones thus occur relatively early in the reexamination process. And they go a long

¹¹ There are only limited mechanisms for challenging the PTO’s decision to order (or not order) a reexamination.

¹² 37 C.F.R. § 1.530(b).

¹³ 37 C.F.R. § 1.935.

way towards determining overall scope, level of involvement and complexity of the reexamination. It therefore behooves all parties (including the court) to wait for these early milestones before investing heavily in any previously predicted reexamination pendency.

Other Reexamination Milestones

If it appears that the reexamination will proceed on the merits, then there are a number of other milestones that will impact overall pendency. The involved parties, including the court, should recognize these milestones and be nimble enough to take them into full consideration. These milestones include the PTO's response to the patent owner reply (and requester's comments thereto in *inter partes* reexamination). In *ex parte* reexamination, this response takes the form of either a final Office action or a Notice of Intent to Issue a Reexamination Certificate, which is commonly referred to as a "NIRC." For *inter partes* reexamination, this response takes the form of an Action Closing Prosecution ("ACP"). The CRU has a stated goal to get to this point in the reexamination proceeding inside of two years from the filing date of the request. As with the first Office action above, this milestone provides the next set of clues as to reexamination pendency.

As a rule, *ex parte* reexaminations proceed more quickly from this point simply due to the *ex parte* nature of the proceeding. If the decision is favorable to the patent owner—such as a NIRC or indication that some claims are allowable—reexamination pendency will likely be shortened. However, if the patent owner elects to appeal all or part of the decision, pendency will be lengthened by at least another one and a half to two years.

For *inter partes* reexamination, on the other hand, the ACP and subsequent Right of Appeal Notice ("RAN") typically signal an appeal. This is due to the *inter partes* nature of the proceeding—the patent owner may appeal any final rejection of any claim, while the requester can appeal any decision favorable to patentability, including the CRU's refusal to adopt a presented SNQ, or refusal to maintain any proposed ground of rejection. Thus, unless one of the parties surrenders or is precluded from participation due to settlement terms, *inter partes* reexaminations routinely involve at least another one and a half to two years pending appeal to the BPAI. For both *ex parte* and *inter partes* reexamination, appeals to the Federal Circuit are an option.

As described in Section II.G. below, the time period for appeals of a reexamination proceeding from the CRU to the BPAI and then to the Federal Circuit can vary, but at a minimum will take three years with current backlogs and processing requirements. With *ex parte* reexaminations, only the patent owner can appeal a rejection and the third party requester has no standing to appeal a favorable decision concerning the claims in reexamination. Since the NIRC and the reexamination certificate cannot issue for the patent owner in an *ex parte* reexamination unless the patent owner is satisfied with the CRU decisions concerning all of the claims in the reexamination, the patent owner is forced to appeal the rejection of a single claim even though all of the other claims in reexamination are confirmed or allowed. This all or nothing aspect of the reexamination process can force appeals and is unlike original prosecution where allowed claims can be issued in a patent and rejected claims can continue to be prosecuted in a pending application. All in all, however, the *ex parte* reexamination proceeding is faster on appeal than *inter partes* reexamination because only the patent owner has standing.

The appeal process for *inter partes* reexamination proceeding is also described in Section II.G. below. This appeal process can easily take more than four years (through the Federal Circuit) even though the PTO is trying to address the various delays.

Courts need to assess carefully what is likely in the appeal process in coming to an studied estimate of the time of the reexamination proceeding. Blanket pendency statements often made in stay motions and in arguments before judges need to be challenged under the given circumstances and status of the actual reexamination proceeding in question.

Summary

In summary, reexamination pendency must be considered with an informed eye. Mere review of published PTO statistics does not provide a complete picture of reexamination pendency. Moreover, the past is not necessarily indicative of the future. Stay decisions are not (and should not be) routinely entertained in advance the first three milestones. And thereafter, any stay (or denial of stay) should be flexible enough to respond to subsequent events and milestones at the PTO. Finally, strategy decisions should take into consideration best- and worst-case scenarios, and be nimble enough adapt when the unexpected occurs.

B. Litigation Stays

Requesting a stay of a litigation following the filing of a reexamination request is a common strategy employed by accused infringers seeking to delay and perhaps avoid litigation. The grant of a stay is at the sole discretion of the presiding judge. Due in part to substantial uncertainty and confusion in reexamination pendency, the recent trend in many leading patent litigation jurisdictions is against the grant of stays.

Litigation stays are usually contested, with accused infringers typically arguing for the stay of the litigation and patent owners arguing against the stay. Accused infringers often point to the reexamination as a procedure that has the potential to avoid litigation completely, such as where the reexamination cancels all asserted claims, or has the potential to streamline validity issues. Patent owners, on the other hand, often argue that the pendency of the reexamination proceeding, feasibly lasting for more than six years, makes any stay highly prejudicial to patent enforcement. They argue the famous legal maxim: “justice delayed is justice denied.”¹⁴

District court judges have broad discretion to decide a motion to stay.¹⁵ The decisions are highly fact specific and vary greatly by judge and jurisdiction. Recent district court stay decisions highlight the varied factors that drive the results. For example, the United States District Court for the District of Minnesota denied a defendant’s motion for a stay, finding the case would not be streamlined “because defendants never alleged invalidity as a defense in their answer nor did they disclose any such prior art by [the applicable deadline], as required by the pretrial scheduling order.”¹⁶ In a case in the Central District of California, the court granted a motion for stay citing as a relevant factor that the patent owner was not exploiting the patent-in-suit.¹⁷ We discuss some of the more nuanced stay decisions in Section IV.C.

14 Attributed to William E. Gladstone—Laurence J. Peter, PETER’S QUOTATIONS, at 276 (1977).

15 *Allergan Inc. v. Cayman Chem. Co.*, No. 07-01316 (C.D. Cal. Apr. 9, 2009).

16 *Blazek Sklo Poderady v. Burton International*, No. 08-2342 (D. Minn. June 11, 2010). In this case, the plaintiff, Blazek, asserted two patents directed to glass nail files against defendants. Instead of preparing a defense on the merits and engaging in discovery in the district court, the defendants pinned their hopes entirely on an *ex parte* request for reexamination that cited prior art used to invalidate a Czech-issued patent related to the patents-in-suit.

17 *Pitney Bowes Inc. v. Zumbox Inc.*, No. 09-07373 (C.D. Cal. May 20, 2010).

For many judges, the single most important factor in determining whether to stay a litigation is the pendency of reexamination proceedings. Many judges will not grant a stay because of the length of time required to conclude a reexamination proceeding through all appeals. Creating confidence in a reasonable reexamination timeline can simplify the stay calculus for district court judges. For instance, if reexamination pendency is completely uncertain, or if the time to final decision extends years past an expected trial date, then stays are less likely as they may prejudice the patent owner. Conversely, if the reexamination is likely to conclude shortly, substantial resources may be saved by issuing a stay. Some courts are not dissuaded by the prospect of long reexamination proceedings, or reexamination proceedings of uncertain length, if the reexamination proceeding is ordered early in or prior to the litigation.¹⁸

Many practitioners believe that a sufficient number of factors exist 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 factors that are in play including the efforts by the PTO to address concerns over reexamination pendency. Reexamination stays are discussed more fully below in Section IV.C.

C. Protective Orders

A protective order dictates how confidential documents produced during a litigation are handled by the parties. 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 and the suit? What mechanisms are available to provide information of non-obviousness covered by the protective order in the reexamination proceeding? These issues and more are discussed in detail below in Section IV.D. In this Hot Topics section, we alert the reader to some pressing issues of which the authors are aware.

General Prosecution Bars May Be Insufficient

When crafting a protective order (“PO”), it is imperative for both parties to consider the possibility of a concurrent reexamination. The court’s standard PO may include a general prosecution bar, or the parties may be relying on previous templates that include a general prosecution bar. Reexamination was not a significant issue in patent litigation in the recent past. Unfortunately, such prosecution bars typically refer only to “patent applications.” But a reexamination proceeding is not a patent application and it unclear whether such a prosecution bar would apply to reexamination proceedings. Whether either of the parties are contemplating reexamination or not, the PO should explicitly deal with reexamination proceedings.

¹⁸ *Sorensen v. Spectrum Brands, Inc. et al.*, No. 09-00058 (S.D. Cal. Dec. 23, 2009). One newer tactic on the defense side is to file the reexamination before suit is filed in lieu of filing a DJ. Then the third party requester uses the pre-suit filing of the reexamination as a basis to seek a stay.

The PO Must Balance Competing Concerns

The parties will have competing concerns. The accused infringer will be concerned that its confidential information may be used to amend existing claims or craft new claims to better cover accused products. This concern is ameliorated to some degree by the fact that claims may not be broadened during reexamination beyond the claims in reexamination, so the concern is not as great as it is with a patent application with no such restrictions. The patent owner, on the other hand, must be able to freely communicate its trial strategy, including invalidity and claim construction positions, to its reexamination counsel lest the two teams inadvertently take inconsistent positions. This is especially a concern given the different claim construction regimes used by the PTO and the court. The accused infringer is not so restricted because it has no right to amend the claims in reexamination. Both parties may also need to rely on material produced by the other side over the course of discovery in support of invalidity (or patentability). One example is evidence related to secondary considerations (objective indicia) for nonobviousness such as commercial success, copying, failures, and long felt need (or lack thereof). The PO must balance these legitimate competing concerns.

In short, the authors have seen a wide spectrum of POs. Some are overly restrictive and effectively wall off trial counsel from reexamination counsel on the patent owner side, putting the patent owner at severe risk of taking inconsistent positions between the two proceedings. Some are not restrictive enough, putting no restraints on trial counsel's participation. Some altogether fail to deal explicitly with reexamination, thereby leaving the issue open to further dispute, resolution of which may waste valuable court resources. As noted, we discuss POs in more depth below in Section IV.D.

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 cornerstone 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.¹⁹ 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."²⁰ While it may sound relatively simple, presentation of a SNQ is more subtle than many practitioners realize. This section remains a Hot Topic because it is an often misunderstood area of reexamination practice that is ripe for litigation—where the parties challenge the existence of a SNQ in a reexamination request through the Administrative Procedures Act or through appeal to the Federal Circuit.²¹

Review of SNQ Determination

On June 25, 2010, the PTO published a notice in the Federal Register "clarifying the procedure for seeking review of a determination that a substantial new question (SNQ) has been raised in an *ex parte* reexamination proceeding."²² The notice announced that

19 H.R. Rep. No. 96-1307 (1980).

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

21 The ability of a party to challenge the adoption or failure to adopt a SNQ is limited to *ex parte* reexamination proceedings. By statute, in *inter partes* reexaminations, a determination by the USPTO that no SNQ has been raised or that a reference raised a SNQ is final and non-appealable. 35 U.S.C. § 312(c).

22 75 Fed. Reg. 36357 (June 25, 2010).

Director Kappos delegated to the Chief Judge of the BPAI the authority to review issues relating to the grant of a request for reexamination, specifically a SNQ finding. The Chief Judge can further delegate the SNQ review to a panel of Administrative Patent Judges who are deciding the appeal in the *ex parte* reexamination proceeding. As is currently the case, the notice identifies that separate from the BPAI's consideration of the SNQ issue, a patent owner may file a petition under 37 CFR 1.181(a)(3) to vacate an *ex parte* reexamination as "ultra vires."

This right of appeal is not interlocutory. Instead, for an *ex parte* reexamination ordered before June 25, 2010, the patent owner may include a challenge to the finding of a SNQ as a separate ground in an appeal to the BPAI, even if the patent owner did not request that the CRU reconsider the finding of the SNQ during prosecution. For *ex parte* reexaminations proceedings ordered on or after June 25, 2010, the patent owner must request that the CRU reconsider the grant of the SNQ as part of a full response to the Office action in order to preserve the issue for appeal. Notably, the procedures do not apply to *inter partes* reexamination proceedings. A determination by the PTO in an *inter partes* reexamination either that no SNQ has been raised or that a reference raises a SNQ is final and non-appealable.²³

A recent BPAI decision issued June 30, 2010, cited the clarification claiming jurisdiction to review a CRU examiner's SNQ finding.²⁴ Here the appellant argued that a particular reference was previously considered during original prosecution and thus not qualified to form the basis of a SNQ. One issue addressed by the BPAI was whether it had jurisdiction to review a CRU examiner's SNQ finding (and order granting a request for reexamination). Citing the June 25, 2010, clarification as the source of its authority, the BPAI sided with the examiner that during original prosecution the reference was not reviewed with "any reasonably detailed analysis," nor was it applied as a principal prior art reference, nor was the issue forming the basis of rejection during reexamination the same as that examined during original prosecution. Thus the reference was not "old" art and raised a valid SNQ. The panel further noted that the appellant did not timely file a 1.181 petition to review the original determination and instead brought the issue up on appeal after the claims had been finally rejected on a variety of grounds including lack written description, indefiniteness, anticipation, and obviousness. The panel affirmed the examiner's determination on all remaining issues.

Burden to Establish a SNQ

Congress envisioned the SNQ as a primary gate-keeping function to prevent harassment of a patent owner.²⁵ Many practitioners argue that this protection is illusory due to the implementation of the SNQ review by the PTO. Specifically, practitioners point to the lack of evidentiary burden placed on the requester to establish a SNQ in the request.

To establish a SNQ, the requester must demonstrate that a patent or printed publication presents a new, non-cumulative technological teaching that was not previously considered and discussed on the record during the prosecution of the application that resulted in the patent for which reexamination is requested, and during the prosecution of

²³ See 35 U.S.C. 312(c).

²⁴ See BPAI Appeal No. 2008-005992, Reexamination Control No. 90/006.572 (June 30, 2010).

²⁵ "As part of the original 1980 reexamination statute, Congress struck a balance between curing allegedly defective patents and preventing the harassment of patentees. It adopted a standard requiring a request for reexamination to raise a 'substantial new question of patentability.'" See H.R. Rep. No. 107-120, at 1; See also *In re Recreative Technologies*, 83 F.3d 1394, 1397 (Fed. Cir. 1996).

any other prior proceeding involving the patent for which reexamination is requested.²⁶ Additionally, the reexamination request “*must* point out how any questions of patentability raised are *substantially different* from those raised in the previous examination of the patent before the Office.”²⁷

Thus, the burden is placed on the third party requester to demonstrate that the questions of patentability raised are *substantially* different than those raised in previous examinations. However, many practitioners argue that the PTO accepts statements that a patent or printed publication presents a new, non-cumulative teaching without requiring any evidence or discussion of the prior prosecution record to support the statement. This practice effectively shifts the burden to the patent owner to disprove the existence of a SNQ adopted by the PTO in an *ex parte* reexamination. In an *inter partes* reexamination, the patent owner is left with no recourse for challenging that determination.

E. Post-Grant Review Proposals

Original patent claims in both *ex parte* and *inter partes* reexamination proceedings are only examined on the basis of patents and printed publications.²⁸ The full suite of defenses available in patent litigation, including statutory subject matter (35 U.S.C. § 101), written description and enablement (35 U.S.C. § 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 patentability 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.²⁹ The CRU has therefore strictly enforced the narrow basis for reexamination of patent claims to rejections based on patents and printed publication. Under this regime, collateral prior art defenses—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 of the bill, the first-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 review. As part of the legislation, *inter partes* review would be made available for all unexpired patents.³⁰ 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. It is also contemplated that the proposed *inter partes* review would be an adversarial two-party process in the PTO. 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

26 MPEP § 2216.

27 MPEP § 2216, (emphasis added).

28 35 U.S.C. §§ 302, 311; 37 C.F.R. §§ 1.510(a), 1.915(b).

29 See 37 C.F.R. §§ 1.552, 1.906; M.P.E.P. §§ 2258, 2658.

30 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. § 1.913; See also M.P.E.P. § 2611.

style. The goal of the PGR and the *inter partes* review 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. Finally, the existing *ex parte* reexamination procedure would still exist, and current *inter partes* reexamination proceedings would continue to be conducted under the present rules.

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. § 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, in the recent *Bilski v. Kappos* decision, set forth a more flexible standard for determining patentable subject matter, and the PTO is in the process of implementing guidelines for this more flexible standard.³¹

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.

F. Multiple PTO Proceedings Involving the Same Patent - Merger and its Impact on Reexamination Proceedings

If the parallel universes 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.³² 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.³³

Multiple proceedings can have a significant impact on pendency, cost, and complexity of the reexamination.³⁴ Such multiple PTO proceedings involving the same

³¹ *Bilski v. Kappos*, 130 S.Ct. 3218 (2010).

³² If an *inter partes* reexamination has already been filed, the estoppel provisions of 35 U.S.C. § 317 prevent the third party requester or its privies from filing a subsequent reexamination request.

³³ If proposed S515 is enacted, this patent could also be subject to PGR and *inter partes* review as well. Some critics argue such a regime will effectively make enforcement of a patent prohibitive or impossible.

³⁴ 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 creation of an *inter partes* review process that will be available for all unexpired patents.

patent are not rare. In fact, multiple reexaminations of the same patent 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. Since 2000, only 2,560 unique patents have been involved in 5,680 reexamination proceedings at the CRU as of January 1, 2010.³⁵ Multiple reexamination proceedings on the same patent explain why the overall ratio of reexaminations to patents is over two to one. Specifically, of these 2,560 unique patents, 286 or 11% have been reexamined more than once, one as many as six times.³⁶ Three patents have been reexamined five times, 14 reexamined four times, 34 reexamined three times, and 234 reexamined twice. In Section V.F. below, the practice issues involving these parallel proceedings are examined in more detail.

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. For instance, 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* reexamination typically involves fewer claims and fewer SNQs than the later filed *inter partes* reexamination. Some argue that this strategy allows the requester to obtain a 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. But the Office of Patent Legal Administration (“OPLA”) may be revisiting its merger rationales for this requester-initiated multiple reexamination strategy.

Other practitioners file multiple *ex parte* reexaminations (alone or in combination with an *inter partes* reexamination) on the same patent. 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 of the reexamination proceeding, undermining their statutory right to a reexamination proceeding being 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. There are instances where the PTO has denied second *ex parte* reexamination requests as not raising a SNQ.

Patent owners faced with multiple reexaminations on the same patent that result in mergers are not without recourse. There is sufficient ambiguity in the merger rules and sufficient statutory bases to allow patent owners to argue against merger in some situations. Patent owners can challenge merger decisions through petition practice and bring any perceived unfair application of the merger rules, or perceived harassing behavior, to the attention of OPLA, which handles many petitions in reexamination matters on behalf of the Director. Because the PTO has complete discretion in merger decisions, it can (and has) dissolved previously merged cases.³⁷ In the authors’ experience, OPLA is receptive to well-crafted arguments and is willing to reconsider previously ordered mergers.

Reissue applications may also be merged with a co-pending reexamination proceeding. The merged reissue/reexamination proceedings are often transferred to the

35 Requests for Reexamination Noticed in Official Gazettes 1999-2010 (Jan. 1, 2010).

36 See Broadcom Corporation Patent No. 5,425,051 (three *ex parte* proceedings were requested by Qualcomm in 2006 and three more *ex parte* proceedings in 2008).

37 See, e.g., Reexamination Control Nos. 95/001,205 and 90/009,370.

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 friendlier 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. The 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.³⁸ 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.³⁹ 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.⁴⁰ Any party to the interference may make a miscellaneous motion under 37 C.F.R. § 41.121(a)(3) to suspend an interference pending the outcome of a reexamination proceeding.⁴¹ Similarly, a party to the reexamination proceeding may file a petition to stay the reexamination proceeding because of the interference.⁴²

G. Appeals of Inter Partes Reexaminations to BPAI and Federal Circuit

Not a single *inter partes* reexamination appeal from the BPAI to the Federal Circuit has been decided to date. The first *inter partes* reexaminations appealed to the Federal Circuit were voluntarily dismissed by the appellant prior to briefing and oral argument.⁴³ While a small percentage of *inter partes* reexamination certificates have issued from the CRU,⁴⁴ a search of BPAI decisions from July 1, 1997, to July 1, 2010, reveals that the BPAI has decided only 29 *inter partes* reexamination appeals to date.⁴⁵ Significantly, seven of these decisions resulted in a non-final, non-appealable decision, and were therefore remanded to the examiner for further prosecution.⁴⁶

One reason for the 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.⁴⁷

38 See M.P.E.P. §§ 2284, 2686.02.

39 See M.P.E.P. §§ 2284, 2686.02.

40 See M.P.E.P. §§ 2284, 2686.02.

41 See M.P.E.P. §§ 2284.II, 2686.02.II.

42 See M.P.E.P. §§ 2284.V, 2686.02.IV.

43 *Cooper Cameron v. SAFOCO Inc.*, Reexamination Nos. 95/000,015 and 95/000,017, Nos. 2009-1435, -1459 (Federal Circuit).

44 A Reexamination Certificate is issued at the completion of reexamination canceling any claim of the patent finally determined to be unpatentable, confirming any claim determined to be patentable, and incorporating any amended or new claim determined to be patentable.

45 FOIA Reading Room and Database of Final Decisions Issued by the Board of Patent Appeals and Interferences <http://des.uspto.gov/Foia/BPAIReadingRoom.jsp> (Last Accessed July 1, 2010).

46 See Reexamination Control Nos. 95/000,006 (USPN 6,357,595); 95/000,009 (USPN 6,399,670); 95/000,030 (USPN 6,508,393); 95/000,038 (USPN 6,527,941); 95/000,064 (USPN 6,767,487); 95/000,066 (USPN 6,789,673); and 95/000,069 (USPN 6,789,673).

47 It has been posed to the authors that the reason no *inter partes* case make 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 that the district courts in assessing patentability based on patents and printed publications have failed so far in practice.

The Chart entitled “Procedure Following Board Decision for Reexaminations Commenced On or After November 2, 2002” in MPEP § 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.⁴⁸

Another possible reason for the lack of cases making it to the Federal Circuit, is that, for a certain small subset of *inter partes* reexaminations, the process is effective without the need to appeal to either the BPAI or the Federal Circuit. According to recent PTO statistics, 167 *inter partes* reexamination certificates have issued out of the 923 total requests filed as of June 30, 2010.⁴⁹ While this represents only 18% of total *inter partes* reexaminations, the outcome data indicates that third party requesters succeeded in having all claims cancelled or disclaimed in 49% (82) of the completed *inter partes* proceedings in which a reexamination certificate issued. In 43% (71) claims were changed in some way and in only 8% (14) did all claims survive reexamination unamended.⁵⁰ 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. Because a large number of *inter partes* reexaminations are also involved in co-pending litigation, this data might simply reflect the cases in which the parties have settled or in which the district court has reached a determination regarding 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.⁵¹ 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 used as a tool to harass patent owners, but rather should function as a post-grant validity check on issued patents that is faster, cheaper, and better than federal court challenges. Those objectives formed Congress’s basis for creating the *inter partes* reexamination process.

H. Impact of Reexamination on Remedies

Concurrent reexaminations can have a dramatic impact on remedies available to patent owners in infringement actions. Specifically, any substantive amendments during

⁴⁸ 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 the 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.

⁴⁹ USPTO *Inter Partes* Reexamination Filing Data (June 30, 2010).

⁵⁰ *Id.*

⁵¹ The question has been raised by several people 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.

reexamination to asserted patent claims can invoke the doctrine of intervening rights, which can reduce the damages available to a patent owner. Reexamination can also impact any injunctive relief that a patent owner has obtained. Both of these issues are discussed next.

Intervening Rights

During reexamination, the patent owner is permitted to make amendments to the claims undergoing reexamination. However, a claim amendment may have a significant impact on the ability of the patent owner to obtain damages for infringement of that claim prior to the issuance of the reexamination certificate. An amendment to a claim creates two important time periods for damages considerations – (1) the period between the issue date of the original patent and the issue date of the reexamination certificate and (2) the period after the issue date of the reexamination certificate until the patent is no longer in force.

The impact on damages is dependent on the scope of the amendment made in the reexamination proceeding. An amendment to a claim may extinguish past damages if the amended claim is *not* “substantially identical” to an original patent claim. In that case, the patent owner can only recover damages during the second period (after the issue date of the reexamination certificate). However, amended claims that *are* substantially identical to an original patent claim can be enforced (and damages recovered) from the issue date of the original claims.

The effect of amended reexamination claims during the second time period (after the issuance of the reexamination certificate) is governed by the doctrine of intervening rights.⁵² Intervening rights is a defense to infringing activity occurring *after* issuance of the reexamination certificate.⁵³ Section 252⁵⁴ provides for two separate and distinct intervening rights defenses – absolute intervening rights and equitable intervening rights.

Absolute intervening rights are created by the first sentence of the second paragraph of 35 U.S.C. § 252:

A reissued patent shall not abridge or affect the right of any person or that person's successors in business who, prior to the grant of a reissue, made, purchased, offered to sell or used within the United States, or imported into the United States, anything patented by the reissued patent, to continue the use of, to offer to sell, or to sell, or to sell to others to be used, offered for sale, or sold, the specific thing so made, purchased, offered for sale, used or imported unless the making, using, offering for sale, or selling of such thing infringes a valid claim of the reissued patent which was in the original patent.

Absolute intervening rights extend only to the “specific things” actually made, purchased, offered for sale, or used before the issuance of the reexamination certificate. Other continued activity after a reexamination certificate issues is covered by equitable intervening rights defense. Absolute intervening rights apply only to tangible articles existing prior to the date of the reexamination certificate.⁵⁵ The applicability of absolute

52 See *Fortel Corp. v. Phone-Mate, Inc.*, 825 F.2d 1577, 1580 (Fed. Cir. 1987).

53 *Seattle Box Co. v. Industrial Crating and Packing Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985).

54 Any proposed amended or new claim determined to be patentable and incorporated into a patent following either an *ex parte* or *inter partes* reexamination has “the same effect as that specified in section 252 of this title for reissued patents.” 35 U.S.C. §§ 307(b), 316(b).

55 *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1353 (Fed. Cir. 2001).

intervening rights to a *process* practiced prior to the date of the reexamination certificate has not yet been addressed by the Federal Circuit.

Equitable intervening rights are created by the second sentence of the second paragraph of 35 U.S.C. § 252:

The court before which such matter is in question may provide for the continued manufacture, use, offer for sale, or sale of the thing made, purchased, offered for sale, used, or imported as specified, or for the manufacture, use, offer for sale, or sale in the United States of which substantial preparation was made before the grant of the reissue, and the court may also provide for the continued practice of any process patented by the reissue that is practiced, or for the practice of which substantial preparation was made, before the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

The equitable intervening rights provision gives a court the power to allow the continued manufacture, use, offer for sale, or sale of a “thing” in situations where a defendant has made substantial preparation to make, purchase, offer for sale, or use the “thing” or in the case of process “practice of the process.”⁵⁶

A court may apply the equitable intervening rights provision “to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.”⁵⁷ The statute provides no further guidance on how to make this determination. Generally, the equitable intervening rights defense protects a third party who relied to its detriment on an aspect of the original claims that was changed by reexamination.⁵⁸

Injunctive Relief

Patent reexamination can also have significant impact on equitable remedies. In *Flexiteek Americas, Inc. v. Plasteak, Inc.*, the Southern District of Florida lifted a permanent injunction that was on appeal to the Federal Circuit, where the PTO had issue an Advisory Action in a concurrent *ex parte* reexamination of the patent-in-suit.⁵⁹ The Advisory Action, which follows the patent owner’s response after a final rejection, stated that Flexiteek had failed to overcome all of the rejections of the patent-in-suit. After the Advisory Action issued, the defendant moved the district court to lift the permanent injunction, invoking language therein stating that “upon any decision by a court of the [PTO] that renders the ‘881 Patent invalid or unenforceable, [the defendants] may petition this Court to terminate this Permanent Injunction.” The plaintiffs argued that the Advisory Action was not a final PTO decision and that they had “additional challenges,” including a timely noted appeal to the BPAI.⁶⁰ The court sided with the defendants and terminated the permanent injunction: “the Court finds that the PTO’s Advisory Action is not only the most recent decision regarding the ‘881 Patent’s validity, it is a decision made after a thorough examination of the matter conducted by a body which holds particular expertise in such issues. The court

⁵⁶ 35 U.S.C. § 252.

⁵⁷ *Id.*

⁵⁸ *Slimfold Mf. Co. v. Kinkead Industries, Inc.*, 810 F.2d 1113, 1117 (Fed. Cir. 1987).

⁵⁹ *Flexiteek Americas, Inc. v. Plasteak, Inc.*, Civ. Case No. 08-60996 (July 20, 2010 Order).

⁶⁰ *Id.*

finds that the PTO's determination should control and the Court will terminate the Permanent Injunction."⁶¹The plaintiff also pointed out its ability to amend its patent claims based on a reissue application of the same patent, and that even if the current claims were canceled defendants will infringe the reissued claims. The Court rejected that argument as speculative.⁶²

Some critics have argued that this decision is decided wrongly. The final Office action was on appeal to the BPAI and the claims of the patent had not been finally cancelled. The BPAI may reverse the CRU or the patent owner may seek additional appeals of the reexamination to the Federal Circuit. Simply put, these critics contend that the CRU's determination is only the first step in determining patent validity in a reexamination. Indeed, it is not uncommon for the BPAI to reverse final CRU determinations. Statistics show that a sizeable number of appealed *ex parte* reexaminations result in reversal and issuance of reexamination certificates with one or more original claims confirmed. If this decision is widely adopted, and permanent injunctions can be routinely lifted based merely on a final Office action, tremendous uncertainty could result for patent owners. Critic's views aside, the case underscores the significant impact that reexamination—even an ongoing one—can have on the remedies available in concurrent litigation. And, it highlights the need for parties to educate the court on the procedural nuances of reexamination so that well informed orders can be entered.

I. Impact of Reexamination 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 several years, the stock price (and company valuation) of a publicly traded patent owner has dropped precipitously or increased substantially due to a significant decision in a patent suit⁶³ 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.⁶⁴ A precipitous drop often is in large part due to short selling the stock of the patent owner. Putting aside whether such practices are proper, it seems fair that the PTO should indicate on its web site that rejections in non-final Office actions do not necessarily reflect the final disposition of such claims in reexaminations. This information may stem the negative implications of a non-final Office action and thus may allow the capital markets to more accurately and appropriately react to these reexamination developments.

The reaction of the markets to events in the reexamination proceeding underscores the importance of the *ex parte* communications procedures in place at the PTO. Advance

61 *Id.*

62 *Id.*

63 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 (Jan. 9, 2009).

64 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 is fully complete, including all appeals." (See 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-communique-down-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/>).

knowledge of the issuance of an Office action, the issuance of a NIRC, or the issuance of the reexamination certificate is potentially valuable information to a trader. The PTO has guidelines in place that limit communications regarding the substance of a reexamination proceeding. It is imperative that all employees of the PTO strictly adhere to these policies regarding the discussion of substantive activities in reexamination proceedings in order to prevent possible improper insider trading or other violations of SEC rules.

Coupled with precipitous stock drops arising from 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 received excellent feedback on how best to 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*⁶⁵ 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.

65 RICHARD S. LEVICK & LARRY SMITH, *STOP THE PRESSES: THE CRISIS AND LITIGATION PR DESK REFERENCE* (2d ed. 2007).

(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 2 business days (48 hours). But this delay is still unacceptable in the context of the worldwide public markets.

J. Impact 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 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 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 a de facto *ex parte* reexamination (without interview rights and the right of substantive communications)?

A settlement agreement, by itself, 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. § 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. The PTO takes this position and will not terminate an *inter partes* reexamination based solely on a settlement agreement between parties. However, depending on the facts of the case, a Consent Order filed in the district court may be sufficient to trigger the estoppel provisions.

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 effectively turns *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.⁶⁶ But whether a reexamination can upset a prior settlement agreement is another story, as noted in *In re Swanson*.⁶⁷

K. Impact of Reexamination on Willfulness and Inequitable Conduct.

Willfulness

Another Hot Topic in concurrent reexamination and litigation is the use of reexaminations as a defense against willful infringement. In *In re Seagate Technology, LLC*⁶⁸ 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.”⁶⁹ 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.⁷⁰

Under the new standard, some practitioners argue that the granting of a reexamination request by the PTO 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*.⁷¹ 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.”⁷²

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.⁷³

Inequitable Conduct

Inequitable conduct is often based on an allegation that the patent owner attempted to deceive the PTO by failing to disclose a known piece of material prior art. A

66 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.

67 *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”).

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

69 *Id.* at 1371.

70 *Id.*

71 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).

72 2007 U.S. Dist. LEXIS 95934 at *19 (S.D. Cal. Oct. 30, 2007).

73 *Ultratech Int'l, Inc. v. Swimways Corp.*, No. 05-134 (M.D. Fla. Mar. 3, 2009).

finding of inequitable conduct can render the patent unenforceable. Whether the alleged failure to disclose the prior art reference amounts to inequitable conduct rests on a sliding scale of materiality and intent. If the reference is deemed to be highly material, then the required intent showing is diminished. If the reference is deemed to be less material, then the required intent showing is heightened. Because it is difficult to prove intent, those attempting to prove inequitable conduct typically try to convince the court that the omitted reference is highly material.

Parties may attempt to use a reexamination proceeding to buttress the materiality prong of the inequitable conduct analysis. To do so, the omitted prior art reference is used as the basis for a SNQ in a reexamination request. If the examiner is persuaded that the omitted prior art reference forms a SNQ and then orders a reexamination, this will be taken as further evidence as to the materiality of the reference.

However, some reexamination practitioners have noted problems with this approach. First, there are no evidentiary standards associated with a reexamination request. There is no requirement that the attorney argument supporting the request be backed up by an expert declaration or other evidence. Second, discovery is not available in PTO proceedings. The patent owner is very limited in its ability to challenge an improvidently granted SNQ. Third, the use of a SNQ finding is a litigation tactic used by the defense bar to “create” an inequitable conduct charge. The PTO is becoming more aware of this issue as more reexaminations requests are being challenged as tools not for reexamination but for bolstering an inequitable conduct charge.

L. Retained Reexamination Experts

Expert witnesses play a critical role in patent reexaminations, district court litigation, and ITC investigations. Depositions of retained experts in district court litigation and ITC investigation are the norm; expert witness depositions are not permitted in patent reexaminations. Because retained experts are expected to be deposed and will ultimately testify at trial, parties must consider how their expert witness will demean himself while testifying, withstand cross-examination, and appeal to judges and juries. These considerations typically do not enter into a decision to retain an expert witness in reexamination proceedings, especially in *inter partes* reexamination where there is no opportunity to interview examiners.

Where there is concurrent litigation, however, some practitioners have expressed concern that a retained reexamination expert will be subject to deposition in the co-pending district court case or ITC investigation. District courts addressing this issue have uniformly declined to allow a party to a patent infringement suit to depose an expert retained solely for use in a reexamination of the same patent.⁷⁴ In disallowing deposition of retained reexamination expert witnesses, these courts have based their decision on the parties' decision not to designate that same witness as an expert in the concurrent litigation.

In *Roy-G-Biv*, the district court denied defendant's motion for reconsideration of a magistrate's order barring the deposition of an expert who submitted a declaration in the reexamination of the patent-in-suit.⁷⁵ There, the plaintiff successfully argued that the witnesses were not identified as testifying experts under Federal Civil Procedure Rule 26,

⁷⁴ *Roy-G-Biv v. Fanuc*, 2009 WL 2046488 (E.D. Tex. July 9, 2009); *Goss International Americas, Inc. v. Man Roland, Inc.*, 2006 WL 1134930 (D.N.H. Apr. 28, 2006).

⁷⁵ *Roy-G-Biv v. Fanuc*, 2009 WL 2046488 (E.D. Tex. July 9, 2009).

nor had the witnesses submitted expert reports in the litigation. The defendants countered that the witness should be deposed as a fact witness.⁷⁶ The district court found that the defendants' "attempt to re-characterize the witnesses as fact witnesses" was misplaced and declined to "displace the normal protections of Rule 26(b)(4)," disallowing the depositions of the reexamination expert unless the plaintiff identified that expert as a testifying expert in the litigation.⁷⁷

The same result was reached in *Goss International Americas, Inc.*, where a district court denied defendant's motion to compel the production of documents related to plaintiff's expert's declarations submitted to the PTO during prosecution of the patents-in-suit. The court reasoned that the witness "was retained to provide declarations during the prosecution of the patents-in-suit, he is neither a testifying nor consulting expert in this litigation."⁷⁸ There, defendant relied on *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 116 F.R.D. 533 (N.D. Cal. 1987), where the court ordered plaintiff to produce draft declarations submitted to the PTO. The Goss Court distinguished *Hewlett-Packard*, stating "[t]hat case was decided under Fed. R. Civ. P. 26(b)(4), because the expert in question, who had provided a declaration to the PTO, was also a testifying expert at trial. Here, by contrast, Rule 26(b)(4) does not apply, because [the expert] is not a testifying expert."

Finally, submission of expert testimony in reexamination is less rigorous than its admission in evidence in litigation. Trial courts act as gatekeepers, deciding whether the expert evidence is reliable before allowing into evidence. The CRU however does not have written criteria by which it decides whether declarations submitted from experts are reliable or even whether the declarant should be considered an expert. Given the lack of cross-examination and depositions, it may be easier to submit a disingenuous expert declaration to the CRU. In many cases, it may be difficult or impossible for a CRU examiner to discern that an expert declaration is not credible, because the examiner can only assess the declaration on the cold written record and there is not the benefit of any cross-examination to reveal shortcomings or fallacies in an expert opinion.

III. THE PARALLEL UNIVERSES 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 is critical to any informed decision making on parallel reexamination proceedings. Before tackling reexamination strategy considerations in Section IV, 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. §§ 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

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Goss International Americas, Inc. v. Man Roland, Inc.*, 2006 WL 1134930 (D.N.H. Apr. 28, 2006)

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.”)⁷⁹ A 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. A 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.⁸⁰ For this reason, challenging a patent’s validity⁸¹ should be easier before the PTO than in the district court. In addition, a patent owner faces many practical limitations in its ability to amend claims during reexamination.⁸² One of the most important is that liability for past damages is put at serious risk if claims are amended substantively during reexamination.

C. Claim Construction

The standards for claim construction are very different in district court litigation compared to patent reexamination proceedings. During reexamination proceedings, claims are construed with their broadest reasonable interpretation, consistent with the specification.⁸³ For this reason, a *Markman* order in district court has no preclusive effect on the PTO and is not binding thereon.⁸⁴ A broad claim construction draws in more potential prior art.⁸⁵

In U.S. district courts, on the other hand, claims are often construed so 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.

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

⁷⁹ 35 U.S.C. §§ 303, 304, 312, 313.

⁸⁰ MPEP § 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.”).

⁸¹ The district courts determine “validity,” while the PTO reexamines “patentability.” The authors use these terms interchangeably, but they are technically different.

⁸² No proposed amended or new claim enlarging the scope of claims of a patent is permitted in a reexamination proceeding, 35 U.S.C. § 305. The test for when an amended or new claim enlarges the scope of an original claim is the same as that under the 2-year limitation for reissue applications that add enlarging claims under 35 U.S.C. § 251, last paragraph. MPEP § 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 § 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 § 2250.

⁸³ *In re Yamamoto*, 740 F.2d 1596, 1571 (Fed. Cir. 1984).

⁸⁴ *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1297 (Fed. Cir. 2007).

⁸⁵ 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 §2258.I.G.

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 a patent owner has 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 amendments to asserted claims could literally wipe out a district court or ITC *Markman* ruling. If the litigation or ITC investigation has progressed to trial, substantive amendments to asserted claims could result in an enormous waste of judicial and party resources—sometimes to the tune of 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.⁸⁶ 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 at 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 three examiner team to each reexamination.

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”⁸⁷ A prior holding of validity by a district court is therefore not inconsistent with a subsequent holding of invalidity by the PTO.⁸⁸ While the PTO may accord deference to factual findings made by the court, the determination of whether a SNQ exists will be made independently of the court's decision on validity, since the decision is not controlling on the

⁸⁶ 35 U.S.C. §§ 307(b) and 316(b).

⁸⁷ *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008).

⁸⁸ 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. § 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.

PTO.⁸⁹ A non-final holding of claim invalidity or unenforceability also will not be controlling on the question of whether a SNQ is present. Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the PTO. In such cases, a SNQ would not be present as to the claims held invalid or unenforceable.⁹⁰ 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 Office action 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.⁹¹ 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 has attracted high-level scrutiny. For example, then 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

⁸⁹ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988); *In re Swanson*, at 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).

⁹⁰ See MPEP § 2686.04.

⁹¹ 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.

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?

We provide below some insight into external and internal CRU and BPAI procedures, as well as the latest information regarding reexamination pendency.

1. *Pendency before the CRU*

All reexaminations are required by statute to be handled with “special dispatch.”⁹² 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,⁹³ 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.

Upon filing, reexamination requests first undergo review by the CRU staff to ensure compliance with the rules.⁹⁴ Failure to comply with the provisions may result in a Notice of Incomplete Request or Failure to Comply, vacating the filing date until a response is filed within 30 days to remedy any defects.⁹⁵ For instance, the staff will ensure that each reference cited by requester is used to support at least one proposed rejection. Further, the staff recently began ensuring that the requester properly and affirmatively demonstrate that each SNQ is non-cumulative of the art previously considered during original prosecution or previous reexaminations. Of the requests received in fiscal year 2010 Q1-Q3, 10% of both *ex parte* and *inter partes* requests were terminated during preprocessing by CRU staff for failure to comply with the requirements of 37 C.F.R. §§ 1.510 and 1.915 before even reaching an examiner.⁹⁶

If the reexamination request passes muster by 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,⁹⁷ 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.

92 35 U.S.C. §§ 305 and 314.

93 37 C.F.R. §§ 1.565 and 1.985.

94 37 C.F.R. §§ 1.510 and 1.915.

95 Instructions Regarding Notice of Failure to Comply (PTOL 2077).

96 USPTO Reexamination Filing Data, Footnote 1 (June 30, 2010).

97 35 U.S.C §§ 510 (*ex parte* reexaminations) and 919 (*inter partes* reexaminations).

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 SNQ has been raised.⁹⁸ According to PTO operational statistics, the amount of time from filing the request to an order granting reexamination averaged 1.6 months for *ex parte* and 1.8 months for *inter partes* proceedings. The amount of time from filing the request to an order denying the request averaged 1.7 months for *ex parte* and 1.1 months for *inter partes* proceedings.⁹⁹ While an order denying the request can be petitioned under 1.181 for review of the examiner's determination, a substantive denial of this nature is often a strong indicator that the request will not move forward.

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 patent owner's 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. According to operational statistics, the average amount of time from grant of a request to the first Office action is 5.8 months for *ex parte* and 1.8 for *inter partes* proceedings. This reflects the CRU's practice of seeking to mail the first Office action along with, or shortly behind, the order granting *inter partes* reexamination. Thus, this milestone for *inter partes* proceedings is better approximated as 3.6 months from the date of filing to the first Office action.¹⁰⁰

Official statistics suggest that "overall pendency" is reflected by the average time from filing the request to issuance of a NIRC (the often cited duration of 27.4 months for *ex parte* and 34.8 months for *inter partes* proceedings), however, a range of scenarios confound this statistic. First, averages lack the granularity to indicate reasons for issuance of a NIRC, a milestone that serves to notify the public of the final disposition of the claims, including circumstances where all claims have been canceled or abandoned by the patent owner. Averaging together reexaminations prosecuted until finality and those defaulting due to lack of participation may also distort the result. Second, any pendency bookended by issuance of a NIRC must exclude all proceedings pending on appeal. Without understanding the amount of time expected from a first Office action to a final Office action or Right of Appeal Notice, the overall reexamination timeline remains ambiguous and situation specific.

Approximately 46% of reexamination requests involve the electrical/software/business method arts. In addition, the mechanical arts make up around 31% and this number is growing. While there may be a perception that reexamination is disfavored in the chemical/biological arts, over 23% of reexamination filings were in these arts.¹⁰¹ The lower number of requests in the chemical/biological arts likely mirrors current trends in the technology centers and the fewer overall number of issued patents in the chemical/biological fields. Current pendency rates reflect the large number of reexaminations in the electrical arts.¹⁰²

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

99 USPTO Reexamination Operations Statistics Fiscal Year 2010, Quarter Ending June 30, 2010.

100 USPTO Reexamination Operations Statistics Fiscal Year 2010, Quarter Ending June 30, 2010.

101 USPTO Reexamination Filing Data (June 30, 2010).

102 See Section VII.

2. Pendency before the BPAI

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. 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.¹⁰³

An independent survey of BPAI decisions rendered between January 1, 2007, and January 1, 2010, and the file histories associated with their reexamination control numbers revealed that (not inconsistent with official performance metrics for fiscal year 2009 provided by the BPAI)¹⁰⁴ of the 173 *ex parte* and 15 *inter partes* proceedings in this sample, the time from docketing at the BPAI to a final decision averaged 4.5 to 6.5 months over the past three years. Nevertheless, the median time from Notice of Appeal (or Right of Appeal) to docketing at the BPAI (representing the duration of briefing) averaged 18-20 months.¹⁰⁵

At present, the apparent BPAI bottleneck threatens to dwarf any pendency driven by the CRU or even briefing before the BPAI. At least six or 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*), the examiner's answer and subsequent replies. In the *inter partes* reexaminations this period is often longer due to the time between Respondent's Brief and the Examiner's Answer.

To better approximate the briefing period and average pendency of reexaminations after a Notice of Appeal (or Right of Appeal), the file histories of all requests filed between January 1, 2006, and January 1, 2009, as of June 11, 2010,¹⁰⁶ were analyzed. Of the 1,738 *ex parte* proceedings filed during this period, 375 had a Notice of Appeal with opening appeal briefs filed in 246 (66%) of proceedings. Of the 246 appeal briefs filed, the pendency from Notice of Appeal to acceptance of the brief averaged 96 days, with a median of 62 days, and a range of 21-370 days. Of those where acceptable briefs were filed, 149 had received an Examiner Answer in an average of 112 days, with a median of 99 days, and a range of 2-360 days. Of these, only 99 had been docketed at the BPAI. The amount of time from the Reply Brief (if filed) to a notice of docketing averaged 96 days, with a median of 68, and a range of 6-598. Notably, 122 of those reexaminations on appeal received a NIRC prior to any decision by the BPAI.

Similarly, of the 415 *inter partes* proceedings filed during this time period, 131 had a Notice of Appeal with opening appeal briefs filed in 95 (73%) of proceedings. Of the 95 briefs filed, the pendency from Notice of Appeal to acceptance of the last proper brief averaged 162 days, with a median of 133 days, and a range of 60-351 days. Of those where acceptable briefs were filed, 30 had received an Examiner Answer in an average of 108 days, with a median of 77 days, and a range of 24-443 days. Of these, only 17 had been docketed at the BPAI. The time from the last Reply Brief to a notice of docketing averaged 159 days,

103 *Reexamining Inter Partes Reexamination*, Institute for Progress (April 2008).

104 See Board of Patent Appeals and Interferences Performance Measures for Fiscal Year 2009 http://www.uspto.gov/ip/boards/bpai/stats/perform/FY_2009_Performance_Measures.jsp.

105 Sterne *et al.*, *Appeals from the Central Reexamination Unit*, 5th Annual Advanced Patent Law Institute USPTO-PV10, United States Patent and Trademark Office, Alexandria, VA (Jan. 21, 2010).

106 Public file histories were obtained from the Patent Application Information Retrieval (PAIR) system on June 11, 2010, and analyzed at their current stage of reexamination.

with a median of 96 days, and a range of 46-521. That this sample is limited reinforces the notion that *inter partes* appeals are less abundant than their *ex parte* counterparts, as described in Section II.G. Only 10 of those on appeal received a NIRC prior to a decision by the BPAI.

A rapidly growing backlog at the Board of Patent Appeals and Interferences (“BPAI” or “Board”) is perhaps the most closely watched pendency issue. The backlog has continued in 2010.¹⁰⁷ However, because the BPAI also falls under the statutory mandate of special dispatch, handling appeals from the CRU in the same way as appeals from the initial examining corps would result in impermissible delays. Accordingly, the PTO has taken some recent steps to decrease pendency for appeals coming from the CRU.

For example, many appeals were bounced for non-substantive informalities such as failure to adhere to the PTO’s briefing rules, which are not always consistently applied. Or even for failure of the examiner to initial every reference in an IDS. For example, of the 1,738 *ex parte* proceedings filed during the period surveyed, 375 had a Notice of Appeal with opening appeal briefs filed in 246 (66%) of those on appeal. Of the 246 appeal briefs filed, 75 (30%) received a Notice of a Defective Appeal Brief and only 99 have been docketed to date at the BPAI. Similarly, of the 415 *inter partes* proceedings filed during this time period, 131 had a Notice of Appeal with opening appeal briefs filed in 95 (73%) proceedings. Of the 95 briefs filed, 39 (41%) received a Notice of a Defective Appeal Brief and only 14 have been docketed at the BPAI to date. Critics argue that this appeal process in practice does not satisfy special dispatch.

To achieve consistency and streamline procedures for appeals in *ex parte* reexamination, the PTO announced in May 2010 that the BPAI’s Chief Judge (or his representative) will now have the sole responsibility determining whether appeal briefs comply with the applicable regulations.¹⁰⁸ This BPAI review will be completed prior to forwarding appeal briefs to the examiner for consideration. Previously, this task fell to the examiners. The PTO expects to “achieve a reduction in *ex parte* reexamination proceeding appeal pendency as measured from the filing of a notice of appeal to docketing of the appeal by eliminating duplicate reviews by the examiner and the BPAI.”¹⁰⁹ The PTO also expects a further reduction in pendency because the streamlined procedure will “increase consistency in the determination, and thereby reduce the number of notices of noncompliant appeal brief and non-substantive returns from the BPAI that require appellants to file corrected appeal briefs in *ex parte* reexamination proceeding appeals.”¹¹⁰ It is unclear why this review procedure was not implemented for *inter partes* reexamination.¹¹¹ But given the state of pendency last year at this time, any action to streamline appeals from the CRU is generally welcomed by reexamination practitioners.

3. Pendency conclusion

As noted above in the Hot Topics section, reexamination pendency must be considered with an informed eye. Mere review of published PTO statistics does not provide a complete picture of reexamination pendency. Moreover, the past is not necessarily indicative of the future. Stay decisions should be flexible enough to respond to events at the PTO. And strategy decisions should take into consideration best- and worst-case scenarios, and be nimble enough adapt when the unexpected occurs.

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

108 <http://edocket.access.gpo.gov/2010/pdf/2010-12534.pdf>.

109 *Id.*

110 *Id.*

111 Speculation is that such changes are in the works.

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, 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 cannot be recalled.

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* reexaminations, 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.

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; 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) 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.

In a particularly nuanced stay decision, Judge Selna of the Central District of California articulated a number of factors supporting the grant of a stay in *Allergan Inc. v. Cayman Chem. Co.*:¹¹²

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 factors that would support denial of a stay:¹¹³

1. Delay and changing market conditions over time may dramatically lower the value of injunctive relief.

¹¹² *Id.*

¹¹³ *Id.*

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.

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.”¹¹⁴

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 a 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 BPAI. 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.¹¹⁵ 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.”¹¹⁶ 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

¹¹⁴ *Id.*

¹¹⁵ 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. However, OPLA is prohibited from discussing any substantive aspect of a specific *inter partes* proceeding.

¹¹⁶ MPEP § 2686.04.

provide the ability for the patent owner to request a stay.¹¹⁷ 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 BPAI, 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 may review the BPAI decision first. For instance, the Federal Circuit was presented an appeal from a district court decision and from the BPAI on the same patent.¹¹⁸ In the district court decision, a jury awarded over \$85 million for Hitachi's infringement of Translogic's 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. Protective Orders

A protective order dictates how confidential documents produced during a litigation are handled by the parties. When crafting a protective order, it is imperative for both the plaintiff and defendant to consider the possibility of a concurrent reexamination. For example, the interplay between the duty of disclosure in a reexamination proceeding and a protective order in a concurrent litigation is a critical and difficult issue facing both the patent owner and the third party requester. Another important issue is the extent to which individuals involved in the litigation (and privy to confidential materials) should be involved in prosecution of a reexamination.

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? What mechanisms are available to provide information of nonobviousness covered by the protective order in the reexamination proceeding?

¹¹⁷ See 37 C.F.R. §§1.565(b) and 1.987.

¹¹⁸ *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2008).

1. *Scope of the 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.¹¹⁹ Individuals who have a duty to disclose to the PTO all information known to be material to patentability in a reexamination proceeding include “the patent owner, each attorney or agent who represents the patent owner, and every other individual who is substantively involved in a reexamination proceeding”.¹²⁰

Some practitioners argue that the scope of the duty of disclosure in 37 C.F.R. § 1.555 is ambiguous. Are all employees of the patent owner as well as every attorney or agent that represents 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.*¹²¹ the District Court for the District of New Jersey subscribed a duty of candor on each named inventor, prosecuting attorney, and other individuals who are substantively involved in the preparation or prosecution of the patent application. Similarly, Chief 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.*”¹²²

Therefore, a key question facing a patent owner is who can be called upon to prosecute 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.

119 37 C.F.R. §§ 1.555(a) and 1.933(a).

120 37 C.F.R. §§ 1.555(a) and 1.933(b).

121 2005 U.S. Dist. LEXIS 38794 at *14 (D.N.J. Nov. 10, 2005.)

122 *TeleCommunication Sys., Inc. v. Mobile 365, Inc.*, No. 06-485 at 8 (E.D. Va. Mar. 31, 2009) (emphasis added).

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. 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 how to craft the prosecution bar provision of the protective order. Prosecution bar provisions set forth the parameters for the involvement of individuals associated with a litigation in a PTO proceeding involving the patent-in-suit or a family member of the patent-in-suit. Patent owners typically will want the attorneys handling their reexamination to be able to discuss strategy with litigation counsel so consistent positions can be advanced in the multiple forums. Furthermore, it is more cost effective for the patent owner to utilize the same counsel in both proceedings. When negotiating the prosecution bar provisions, the patent owner typically argues for a very narrow prosecution bar or even no prosecution bar at all. Defendants typically want broader, more restrictive, prosecution bars.

As a general matter, it is often argued that 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.¹²³ In-depth knowledge of a competitor's highly confidential technical information, combined with the ability to amend or draft claims, may convey an 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.

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. §§ 1.555 and 1.933. We expect significant developments in this area as the Office of Patent and Legal Administration ("OPLA") and the courts wrestle with this issue.

3. Handling Conflicting Duties

In 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. Chief Judge Spencer of the Eastern District of Virginia addressed the issue of whether the PTO's duty of disclosure overrides the protective order of a district court such that the party does not have to obtain authorization

¹²³ 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.

to file materials subject to the protective order in the PTO.¹²⁴ 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.

The PTO has struggled with the issue of submission of third party confidential materials covered by a protective order. In recent decisions, the PTO has stated that information covered by a court’s protective order is not to be submitted without evidence that permission has been granted for the public disclosure of the information. If such evidence is not provided, the PTO expunges the entire filing containing the information.

4. Submission of Evidence Supporting Patentability

Another important consideration in drafting a protective order is the ability to submit to the PTO evidence favorable to patentability. Often in patent litigation, the best evidence of patentability originates from the accused infringer or another third party. This is especially true where the defendant is advancing obviousness-based invalidity challenges. If evidence of secondary considerations of non-obviousness exists, the patent owner will want to present this evidence to the PTO in a reexamination. However, if this evidence is marked confidential pursuant to a protective order, the patent owner will not be able to submit the evidence without permission from the owner of the information or the Court.

The issue of submission of third party confidential materials to the PTO in support of patentability is particularly difficult. Currently, no PTO procedures exist to file evidence in support of patentability under seal. Once filed, the materials are placed in the public record. In contrast, documents material to unpatentability may be filed under seal. Some practitioners argue that this provides an unfair advantage to the third party because a third party can allow the filing of documents counter to patentability in the PTO but block the filing of documents in support of patentability.

When negotiating the protective order, the patent owner must consider the potential need to file confidential evidence in support of patentability to the PTO and put provisions in place. One avenue to consider is a proactive procedure to challenge the designation of materials as confidential. Often protective orders require challenges to the confidentiality designation of a document to be made promptly, often long before the prospect of reexamination has particularized in the minds of the parties. Therefore, the parties should address exceptions to allow for later challenges to the designation of documents in the event of a reexamination proceeding. Finally, there is a need for the PTO to be mindful of this issue and implement procedures to address it.

¹²⁴ Memorandum Order, March 31, 2009, *TeleCommunication Systems, Inc. v. Mobile 365, Inc.*, C.A. No. 3:06CV485, p. 9 (E.D. Va. Mar. 31, 2009).

E. Impact on Trial¹²⁵

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.¹²⁶

However, at least one district court decision deemed non-final reexamination proceedings to be too prejudicial to present to a jury.¹²⁷ 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.”¹²⁸ 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.¹²⁹

F. Damages

Official PTO statistics indicate that 65% of *ex parte* and 43% of *inter partes* reexaminations result in some change to the claims. In 12% of *ex parte* and 49% of *inter*

125 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.

126 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.

127 *Microsoft Corporation et al. v. Commonwealth Scientific & Industrial Research Organisation*, No. 06-00549 (E.D. Tex. Apr. 9, 2009).

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

129 The court of particular interest is the U.S. Dist. Ct. (E.D. Tex.) 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, 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]”.

partes reexaminations all claims are canceled outright.¹³⁰ 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.¹³¹ A patent owner cannot seek damages for claims that are not substantially identical to the original claims.¹³² There is no *per se* rule for determining whether a claim is not “substantially identical.”¹³³ 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.”¹³⁴ The determination is a legal one, and a claim is changed if its scope is changed.¹³⁵

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*. Because of the potential impact on damages, litigation counsel should consider filing reexamination requests 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, 2010:

- 75% 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 25% survived with all claims being confirmed.¹³⁶
- 49% of *inter partes* reexaminations completed resulted in all claims being canceled. Combined with those amended, 92% resulted in some change to the claims. Only 8% survived with all claims being confirmed.¹³⁷

A full set of current CRU statistics is included at the end of this paper.¹³⁸

G. 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.

130 USPTO Reexamination Filing Data (June 30, 2010). 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.

131 35 U.S.C. §§ 252, 307(b), 316(b).

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

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

134 *Id.* at 1362-63.

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

136 As of June 30, 2010, 7,586 *ex parte* reexamination certificates have been issued by the PTO. This represents approximately 80% 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.

137 As of June 30, 2010, only 167 *inter partes* reexamination certificates have been issued. This represents approximately 21% of all reexamination requests granted by the PTO.

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

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 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 in reexamination. 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.

H. 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 adjudicated 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.”¹³⁹ In the authors' experience, however, this is not always the case, particularly with the increased popularity of *inter partes* reexaminations in the past several years. But, based on anecdotal evidence, it appears the CRU is trending towards issuance of the initial Office action with the reexamination order.

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 CRU¹⁴⁰—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

¹³⁹ 37 C.F.R. § 1.935.

¹⁴⁰ The CRU has indicated an internal goal of 24 months from instituting the *inter partes* reexamination request to an Action Closing Prosecution (ACP).

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.

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 a SNQ?
6. How complicated is the invalidity case and what are the 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 Fed. R. Civ. P. 60(b)(6) based on alleged disclaimers made during post-trial reexamination.¹⁴¹ 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.¹⁴² 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.”¹⁴³ Because Rule 60 motions are reviewed under an abuse of discretion standard and typically require “extraordinary circumstances,” the Federal Circuit affirmed the decision.

¹⁴¹ *Amado v. Microsoft Corp.*, 517 F.3d 1353 (Fed. Cir. 2008).

¹⁴² *Id.* at 1363.

¹⁴³ *Id.*

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.

I. 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 a SNQ is cumulative to earlier considered art, the more references that have already been 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 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.¹⁴⁴ The ability to file subsequent reexamination requests may be an important tool in an overall *ex parte* reexamination strategy. 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.”¹⁴⁵ 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

¹⁴⁴ See *Visto Corp. v. Research in Motion Ltd.*, No. 06-181 (E.D. Tex. complaint filed Apr. 28, 2006).

¹⁴⁵ Official Gazette Notice (Mar. 1, 2005).

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.¹⁴⁶ 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.

J. 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.¹⁴⁷ Therefore, in litigation with concurrent *inter partes* reexamination proceedings, the 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. Specifically, after the reexamination order, the third party requester may only cite additional prior art that is (1) necessary to rebut a finding of fact by the examiner, (2) necessary to rebut a response of the patent owner, or (3) which for the first time became known to the requester after filing the request provided certain conditions are met.¹⁴⁸

Further, the trial team may be subject to the PTO’s duty of disclosure requirements, as discussed above.¹⁴⁹ 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.

¹⁴⁶ See MPEP § 2240.

¹⁴⁷ 35 U.S.C. § 317(b).

¹⁴⁸ See 37 C.F.R. § 1.948.

¹⁴⁹ See 37 C.F.R. §§ 1.555, 1.933; see also § II.A.3., *supra*.

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? Since the *KSR* decision, it is important to create a full record in the reexamination proceeding of evidence supporting or negating nonobviousness and expert testimony. Affidavits or declarations may be the preferred mechanism for creating this record in many situations. 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 of any references that should be cited to the PTO as part of the reexamination proceeding?

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 to file the information under seal at the PTO with a petition to expunge at the conclusion of the proceeding.¹⁵⁰ 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.

It is important to note, however, that the information filed under seal may be made public at the conclusion of the reexamination process, if the information is deemed material to patentability. 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,

¹⁵⁰ See MPEP §§ 724.04 - 724.06.

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 the speed of the request vis-à-vis the speed of the court is paramount.

ITC patent actions are notoriously fast and bear some special attention. As most readers are aware, ITC investigations proceed more quickly than most 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.¹⁵¹ 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."¹⁵²

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.¹⁵³ 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.¹⁵⁴

Because of the speed with which the ITC conducts its investigations, litigants should expect an ITC investigation to proceed at 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 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

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

152 19 U.S.C. § 1337(b)(1) (emphasis added); see also 19 C.F.R. § 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.")

153 *In re Freescale Semiconductor, Inc.*, 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).

154 *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).

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? We are not aware of this tactic having been tested, but joint defense groups may want to consider such a strategy.

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 interrogatories 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.¹⁵⁵ 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. § 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.¹⁵⁶ This appears consistent with the notion that a patent is fully enforceable on its original claims, even when it is involved in reexamination proceedings.

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. §§ 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. § 11.18. The ongoing duty of disclosure for the patent owner raises some interesting strategic questions that we consider below.

¹⁵⁵ See Order Denying Sun Microsystems, Inc.’s Renewed Motion For Partial Stay in *Network Appliance Inc. v. Sun Microsystems, Inc.*, No. 07-06053 (N.D. Cal. Nov. 4, 2008) (citing Sedona PL08 version of this paper).

¹⁵⁶ 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).

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.

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."¹⁵⁷ 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.¹⁵⁸

However, because the prevalence of inequitable conduct charges in patent litigation remains unabated,¹⁵⁹ many reexamination practitioners reasonably err on the side of caution in preparing information disclosure statements. For instance, in the recent case of *Larson Mfg. Co. v. Aluminart Prods. LTD.*,¹⁶⁰ the district court found a reexamined patent to be unenforceable for failure to cite information from a related co-pending application. Specifically, the patent owner failed to cite a number of references applied in the co-pending 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 a voluminous IDS 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 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.

157 MPEP § 2280.

158 See MPEP § 2280 and 2684.

159 *Larson Mfg. Co. v. Aluminart 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).

160 *Id.*

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.”¹⁶¹ Such information includes “pleadings, admissions, discovery including interrogatories, depositions, and other documents and testimony.”¹⁶² 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 tend to be 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.¹⁶³

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.¹⁶⁴ 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. § 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.”¹⁶⁵ 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 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

161 MPEP § 2001.06(c).

162 *Id.*

163 MPEP § 2280.

164 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. §112. *See* MPEP §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.

165 37 C.F.R. § 1.985; *see also* § 1.565 for similar *ex parte* rule.

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.¹⁶⁶ 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 Rule 11.18¹⁶⁷ applies equally to reexaminations and all other proceedings before the PTO.¹⁶⁸

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 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.¹⁶⁹

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.

¹⁶⁶ See Hot Topics Section II.C.

¹⁶⁷ 37 C.F.R. § 11.18.

¹⁶⁸ 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.

¹⁶⁹ 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 Chaikovskiy, *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).

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.¹⁷⁰ 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.

1. The substantial new question (“SNQ”) generally

Both the *ex parte* and *inter partes* statutes require that a request for reexamination include at least one SNQ.¹⁷¹ 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 application and in subsequent reexaminations of the patent, if there have been any. The SNQ could therefore be more aptly named a “substantial new technical teaching.” The establishment of a 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 or reexamination.¹⁷² This is an important point when determining whether to file a reexamination request and which references to use.

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

Further, there is a common but fundamental misunderstanding by many as to the difference between a 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 a proposed SNQ to every claim for which reexamination is requested—the proposed ground of rejection.¹⁷³ A SNQ is therefore a separate and distinct concept from the proposed ground of rejection (a *prima facie* case of unpatentability).

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

Finally, the PTO will consider an undated document in reexamination if it is accompanied by reliable evidence, such as an affidavit or deposition transcripts, supporting

¹⁷⁰ 37 C.F.R. §§ 1.510(b)(1), 1.915(b)(3).

¹⁷¹ 35 U.S.C. §§ 303 and 312.

¹⁷² MPEP § 2242.

¹⁷³ 37 C.F.R. §§ 1.510(b) and 1.915(b).

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. § 1.105. For reexaminations ordered on or after November 2, 2002, a finding of a SNQ, and claim rejections, can be based solely on previously cited/considered “old” prior art, or in combination with other prior art.¹⁷⁴

2. In re Swanson and the SNQ

The Federal Circuit in *In re Swanson*¹⁷⁵ clarified what it takes to support a 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.¹⁷⁶ 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.”¹⁷⁷ *In re Swanson* provides some guidance on what constitutes a “new light” for old art. For example, a 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 if the examiner applied the reference to a different limitation or claim than that to which the reference is currently being applied.

But a reference does not raise a 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.

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?¹⁷⁸ The PTO pondered this critical issue for over sixteen months and

174 MPEP §§ 2242(II)(A), 2258.01(A).

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

176 35 U.S.C. § 303(a) (patents and printed publications).

177 This sentence was added in the 2002 amendment to 35 U.S.C. § 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*, at 11 (citing *Portola*, 110 F.3d at 791). Congress explained that the amendment to 35 U.S.C. § 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.

178 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, at 4. The *Ex Parte* Reexamination request was denied by the PTO. *Id.*, at 5. In the denial, the PTO clarified the standard for determination of whether a 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 for review of such old information, each time a court clarifies or reinterprets 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.

then addressed this question explicitly in Revision 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. § 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. § 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.¹⁷⁹

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 a 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.¹⁸⁰ 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 (“POSITA”) 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”).

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.¹⁸¹ 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.

¹⁷⁹ MPEP § 2216, Rev. 7, July 2008.

¹⁸⁰ *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 § 103.”).

¹⁸¹ See e.g., *In re GPAC*, 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).

It is not uncommon for reexamination requests, particularly *inter partes* reexamination requests, to be hundreds of pages long. 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.

C. Impact of KSR on Reexamination Practice

The Supreme Court’s decision in *KSR v. Teleflex* altered the obviousness calculus in a 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 was done by Microsoft’s Corporate Vice President for IP Policy and Strategy, Marshal Phelps and his team. His research was presented at Sedona Patent Litigation 2008.¹⁸² 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.¹⁸³

It is clear from recent Federal Circuit and BPAI decisions that mere attorney argument is not sufficient in many cases to prove non-obviousness.¹⁸⁴ 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.¹⁸⁵ To prove non-obviousness it seems the best approach is to tell the story of the invention 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 into 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.

¹⁸² See Microsoft Obviousness Data Research Slide Deck in Obviousness Panel tab of course notebook of Sedona PL08.

¹⁸³ 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.

¹⁸⁴ See *Stundance, Inc. v. Demonte Fabricating LTD.*, 550 F.3d 1356 at 4-7 (Fed. Cir. 2008).

¹⁸⁵ *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.”).

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 to have only a 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.¹⁸⁶

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 the 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. It behooves the drafter to err on the side of comprehensive disclosure, although such approach increases the size of the administrative record, something the PTO has indicated it would like to avoid, all things being equal.¹⁸⁷

The second concern is that the reexamination examiners have no mechanism and little experience in assessing the competency and veracity of the information and analysis presented in written submissions.¹⁸⁸ The third concern is the strict page limits imposed on responses to Office actions. We note however, that if the submission is denominated as “factual” as opposed to “argument” it is NOT counted in the page limit.

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, in the federal courts and at the ITC.

D. 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.¹⁸⁹ 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.¹⁹⁰ The patent owner is not permitted to broaden the scope of claims during *ex parte* reexamination.¹⁹¹ A third party requester can petition the

¹⁸⁶ *Id.*

¹⁸⁷ 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. § 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.

¹⁸⁸ 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.

¹⁸⁹ 35 U.S.C. § 302; 37 C.F.R. § 1.510.

¹⁹⁰ 37 C.F.R. § 1.565.

¹⁹¹ *Id.* § 1.552(b).

PTO Director to review a determination refusing *ex parte* reexamination.¹⁹² 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.¹⁹³ Where the *ex parte* reexamination was requested by a third party, the third party is entitled to respond to the patent owner's statement.¹⁹⁴ 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.¹⁹⁵

E. Director-Initiated Ex Parte Reexamination

The PTO Director can institute *ex parte* reexaminations *sua sponte*.¹⁹⁶ 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. Some argue that, since the creation of the CRU, 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.

F. 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.¹⁹⁷ *Inter partes* reexamination is only available for patents that issued from an original application filed in the United States on or after November 29, 1999.¹⁹⁸ 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 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 court¹⁹⁹ and was subsequently affirmed by the Federal Circuit in *Cooper Techs. Co. v. Dudas*.²⁰⁰ The practical effect is that only patents whose actual filing date is on or after November 29, 1999, is eligible for *inter partes* reexamination, irrespective of whether the patent's effective filing date is earlier.

¹⁹² *Id.* § 1.515(c).

¹⁹³ *Id.* § 1.530.

¹⁹⁴ *Id.* § 1.535.

¹⁹⁵ 35 U.S.C. § 306.

¹⁹⁶ 35 U.S.C. § 303; 37 C.F.R. § 1.520.

¹⁹⁷ 37 C.F.R. § 1.913.

¹⁹⁸ *Id.*

¹⁹⁹ *Cooper Techs. Co. v. Dudas*, 85 U.S.P.Q.2d 1465 (E.D. Va. Nov. 30, 2007).

²⁰⁰ See *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330 at 2-7 (Fed. Cir. 2008).

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.²⁰¹

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.²⁰² 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.²⁰³

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.²⁰⁴ 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.²⁰⁵ 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.²⁰⁶ 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. § 1338 and not to Section 337 ITC investigations. Whether this was an oversight is unknown, but the authors are not aware of any cases in 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.²⁰⁷ 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.²⁰⁸

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.²⁰⁹ 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.

201 37 C.F.R. § 1.927.

202 35 U.S.C. § 315(a).

203 *Id.* § 315(b).

204 35 U.S.C. § 315(c).

205 *Id.* § 315(c).

206 35 U.S.C. § 317(b).

207 *Id.* § 317(a).

208 *Id.* § 317(b).

209 *Id.* § 1.948.

3. *Real Party in Interest*

While *ex parte* reexamination requests may be filed anonymously by any party, at any time,²¹⁰ *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.²¹¹ The estoppel provisions of 35 U.S.C. § 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.”²¹²

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 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.²¹³ 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.²¹⁴ 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 are often ignored in practice.

Perhaps most importantly, petitions 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.

210 See 37 C.F.R. § 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. § 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”).

211 See M.P.E.P. § 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.”).

212 37 C.F.R. § 1.915(b)(8).

213 35 U.S.C. §§ 315(b) and 316(b).

214 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.²¹⁵ 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’.”²¹⁶ 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 web pages, 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.”²¹⁷ This is the only case of which the authors are aware in which 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.”²¹⁸ 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.”²¹⁹ 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 disputes. 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. § 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 party 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.

G. Mergers of Concurrent Proceedings

1. Merger of Co-Pending Reexaminations

Multiple *ex parte* reexaminations on the same patent will generally be merged.²²⁰ However, the decision is at the sole discretion of the Office, which will take into account its statutory mandate of “special dispatch.”²²¹

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

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

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

218 *Id.*

219 *Id.*

220 37 C.F.R. § 1.565.

221 MPEP § 2283.

If one of the multiple co-pending reexamination requests is *inter partes*, then the merger decision proceeds under the *inter partes* rules.²²² According to the MPEP, merger decisions are made by the 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.²²³ 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.²²⁴ 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.²²⁵ 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.²²⁶ 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.²²⁷ 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.²²⁸ Because of the statutory mandate to treat reexaminations with "special dispatch,"²²⁹ the PTO should not suspend the reexamination unless there were 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.²³⁰ Factors include: (i) timing (whether reissue was filed first); (ii) the statutory mandate to treat reexaminations with "special dispatch"; (iii) the fact that the reissue could continue indefinitely via continuation applications; and (iv) 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 simultaneously. Importantly, jurisdiction of a merged proceeding stays with the CRU, not with the Technology Center reissue examiner.

222 37 C.F.R. § 1.989.

223 *Id.*

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

225 See 35 U.S.C. § 251.

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

227 MPEP § 2686.03.

228 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.

229 35 U.S.C. §§ 305, 314(c).

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

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, a third party requester 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.

H. Extensions of Time

Reexaminations must be carried out with "special dispatch."²³¹ 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. § 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.²³²

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.²³³ 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 obtaining evidence to support a declaration under Rule 131 to swear behind the date of a reference, or needs to obtain evidence to support a declaration of non-obviousness under Rule 132. The same is true when the need arises to obtain evidence of secondary considerations in rebutting an obviousness rejection.

An 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 § 2265. A detailed showing of the steps being taken to respond to the Office action is required. Only with this showing may the CRU properly balance the need to proceed with special dispatch against 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 as 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.²³⁴ For

²³¹ 35 U.S.C. §§ 305 and 314(c).

²³² *See* MPEP §§ 2265 and 2665.

²³³ *See* Control Nos. 95/000,285, 95/000,310, and 95/001,018.

²³⁴ *See* MPEP §§ 2265 and 2665.

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.”

However, based on conversations with two CRU Supervisory Patent Examiners (“SPEs”), if the PTO perceives a pattern of delay, such as where an applicant requests an extension of time 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 extension of time requests will get closer inspection and may require additional proof than would have been required for a first request.

I. Page Limits For Inter Partes Reexamination Papers

The *inter partes* reexamination rules impose strict page and word limits on the length of patent owner and third party requester submissions during reexamination at the CRU and on appeal to the BPAI. These limits can have a significant impact on a party’s ability to effectively advocate its positions.

The rules impose a 50-page limit on Office action responses filed by the patent owner and written comments filed by the third party requester.²³⁵ There is no corresponding limit set on the length of the reexamination request or the Office action issued by the examiner.²³⁶ It is therefore not uncommon for the first Office action itself to exceed the 50-page limit.

The motivation behind the page limit restriction appears to be efficiency. The page limits are viewed by the PTO as forcing prosecuting attorneys to economize their arguments, thereby reducing the number of pages that an examiner must review in each Office action cycle. However, many argue that divorcing the page limit requirement from the size of the request and the extent of the Office action prejudices both the patent owner and the third party requester. In cases having lengthy and complex Office actions, these page limits may not afford the patent owner or third party requester the ability to argue adequately all the issues raised in the reexamination request or in an Office action.

The patent owner and the third party requester can petition OPLA for an enlargement of the page limits. However, the grant of an extension is not automatic. Many practitioners also argue that the parameters for when to request an extension and what grounds are sufficient to obtain an extension are unclear and inconsistent across reexamination proceedings.

The examiner makes the determination of whether a filing exceeds the 50-page limit. When expert declarations are used by either party, the examiner must determine whether a page in the declaration counts towards the 50-page limit. Practitioners argue that the standards for making this determination are unclear and are also not consistent across CRU examiners. A need exists for guidance from the PTO on this issue.

Limits also are applied to Appeal Briefs. On appeal to the BPAI, appellants are limited to thirty pages or 14,000 words, excluding appendices of claims and reference

²³⁵ 37 C.F.R. § 1.943(b).

²³⁶ 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.

materials such as prior art references. All subsequent briefs are further limited to 15 pages or 7,000 words. The MPEP waives the page limits for the table of contents pages, the table of case law pages, and the pages of the claims (but not claim charts applying the art to the claims). OPLA has recently ruled that the exclusion of reference material from the word or page limits applies to the following components of briefs: Real Party in Interest, Related Proceeding Appendix and Certificate of Service.²³⁷

The differing limits on opening briefs in an appeal will, in some cases, hamper patent owner relative to requester. Where a patent owner is not cross-appealing, such as in the case of it having all claims confirmed in reexamination, the only brief a patent owner may file is the response brief, which is entitled to half of the length of the opening brief.

Complicating matters, the MPEP provides that expert opinion as to whether the claims are anticipated or rendered obvious in view of the prior art are counted in the page limits.²³⁸ In addition, parties attempting to overcome the page limit hurdle by incorporating by reference more detailed argument do so at their own peril. The rules provide that “Any arguments or authorities not included in the [Appellant’s] brief ... will be refused consideration by the Board.” 37 C.F.R. § 41.67(c)(1)(vii). In *Ex Parte Fleming*, the BPAI refused to consider arguments that appellant incorporated by reference.²³⁹ In *Fleming*, the appellants sought to raise an argument on appeal that it raised during prosecution, stating: “[a] detailed presentation of this argument can [sic] be found in Applicant’s response dated May 8, 2007, and is not reproduced herein.”²⁴⁰ The BPAI responded: “we decline to consider this argument.”²⁴¹

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, an Evidence Appendix 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 in 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.

J. Evidence Considerations

The use of declarations or affidavits in a reexamination proceeding is critical. Since the *KSR* decision, the number of obviousness-based challenges to patentability has increased. Expert declarations in support of validity or in support of invalidity of the claims undergoing reexamination are presented in declarations under 37 C.F.R. 1.132 (referred to herein as “Rule 132 declarations”). The need for Rule 132 declaration is especially important in defending against obviousness challenges. Declarations are often the only way to get expert evidence as well as evidence of secondary consideration before the examiner. To ensure declarations are accepted by the CRU and given persuasive weight, practitioners should be mindful of the critical aspects of declaration practice. PTO guidance provides that evidence

²³⁷ In re Farmwald, Inter Partes Reexamination Control No., 95/001,905 (May 27, 2010 Decision).

²³⁸ MPEP 2667.

²³⁹ 2010 WL 964711 (Appeal 2009-5123, Mar. 15, 2010).

²⁴⁰ *Id.*

²⁴¹ *Id.*

of fact is given the greatest weight, depending on its relevance. Opinion testimony is given less weight, depending on the underlying factual basis for the opinions. Allegations are not entitled to any weight. Factual evidence can include comparative test data to show unexpected results or inoperability of an applied reference, sales figures to show commercial success, and publications or declarations of skilled artisans to long-felt need. Because factual evidence is preferred by the PTO, is important to state a detailed factual basis for any opinion offered by a declarant. Opinions on the ultimate legal issue will not be given weight but other opinions supported by evidence will be given weight.²⁴² It is also critical that any evidence of secondary considerations be shown to be related to the claimed inventions. These considerations are also relevant to a party attacking another's declaration.

There is little or no guidance on how the CRU is to weigh competing evidence of equal weight, such as conflicting factual evidence or competing factually supported opinions. Reexaminations are decided on a cold record with no live testimony and no cross-examination. The CRU therefore cannot rely on things such as witness demeanor. Without explicit guidance, deciding between competing declaration appears to be a judgment call for the CRU.

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 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 58 examiners and six supervisors. A job announcement is outstanding seeking additional CRU examiners who must have been a primary examiner at the PTO and thus excludes people outside the PTO from joining the CRU.

The examiners in the CRU are selected from the ranks of the PTO examining corps and have an average of approximately 17 years of examining experience. Many of the CRU examiners also 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 examining corps. Assignment to the CRU is recognized throughout the PTO as professional advancement; morale throughout the CRU is high, and turnover is low. The examiner position in the CRU is currently "temporary," but the recent announcement for job openings indicates that the position is "transitional." It remains to be seen whether the position will become "permanent" and thus subject to performance metrics as is the case with examiner positions in original prosecution.

²⁴² *Id.*, MPEP 716.01(c).

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 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 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 to exist. 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 patent²⁴³ 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.²⁴⁴ 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.²⁴⁵ 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.

²⁴³ See MPEP §§ 2265 and 2665.

²⁴⁴ 37 C.F.R. § 1.956.

²⁴⁵ 37 C.F.R. § 1.947.

3. Adopt an “Interference-type” Approach

Given the concern regarding the pendency 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.

E. CRU Criticisms

Some practitioners 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* on 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 smaller and smaller 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. Recently, however, the CRU has granted several requests for reexamination where the order did not adopt all SNQs and or proposed rejections. Some contend that any “rubber stamp” improperly shifts the presumption to the patent owner that the claims are *prima facie* invalid. They also contend that the patent owner essentially can only put forth evidence of nonobviousness in response to the first Office action 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 negative towards claims in reexamination to perhaps mollify powerful political forces at work. It is argued that 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 before OPLA.

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 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 768 reexamination requests noticed in the Official Gazette and filed between January 1, 2009, and January 1, 2010.

Review of these requests showed that 219 *inter partes* reexamination requests were filed involving 119 unique patent owners. The owners included 97 U.S.-based companies, four German-based companies, four Japanese-based companies, three Korean-based companies, and two Taiwanese-based companies with the remainder based in eight other countries.

The 550 *ex parte* reexamination requests filed involved 392 unique patent owners. The owners included 307 U.S.-based companies, 14 Japanese-based companies, 10 Canadian-based companies, nine Taiwanese-based companies, eight German-based companies, six Korean-based companies, five United Kingdom-based companies, and five Swiss-based companies with the remainder of the patent owners based in 16 other countries. Of the *ex parte* reexaminations only 11% (60) were requested by patent owners. The remaining 89% (490) were initiated by third party requesters.

The technologies involved were similarly diverse. The top technology classes representing 41% of all reexaminations included "Surgery" (49), "Drug, bio-affecting and body treating compositions" (42), "Telecommunications" (28), "Electrical computers and digital data processing systems: input/output" (26), "Chemistry: molecular biology and microbiology" (22), "Communications: electrical" (22), "Electrical computers and digital processing systems: multicomputer data transferring" (21), "Multiplex communications" (21), "Data processing: financial, business practice, management, or cost/price determination" aka business methods (18), "Image analysis" (18), "Television" (17), "Active solid-state devices (e.g., transistors, solid-state diodes)" (16), and "Data processing: presentation processing of document, operator interface processing, and screen saver display processing" (15) to name only a few.

Requests for reexamination were assigned to one of three art units ("AU") in the CRU supervised by Supervisory Primary Examiners ("SPEs"). Specifically, AU 3992 (specializing in the Electrical and Processing arts, staffed by 35 examiners including four SPEs) was assigned 296 *ex parte* and 153 *inter partes* proceedings, thus receiving over 58% of all reexaminations instituted by the CRU in the past year. AU 3993 (specializing in the Mechanical and Material arts, staffed by 16 examiners including a SPE) was assigned 150 *ex parte* and 32 *inter partes* reexaminations or 24% of the total instituted in 2009. Finally, AU 3991 (specializing in the Biotechnology and Pharmaceutical arts, staffed by 13 examiners

including a SPE) was assigned 103 *ex parte* and 104 *inter partes* reexaminations. While only assigned 18%, this unit received the largest relative proportion of *inter partes* proceedings.

Attached are the most recent reexamination statistics from the PTO dated June 30, 2010. The most recent official reexamination filing data and statistics, including methods for searching by control number and links to historical and operational statistics, are made available to the public by the Central Reexamination Unit (CRU).²⁴⁶

²⁴⁶ http://www.uspto.gov/patents/stats/Reexamination_Information.jsp.

2010 CRU REEXAMINATION STATISTICS



UNITED STATES PATENT AND TRADEMARK OFFICE

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

Ex Parte Reexamination Filing Data - June 30, 2010

- 1. Total requests filed since start of ex parte reexam on 07/01/81 10782^1
a. By patent owner 3680 34%
b. By other member of public 6937 64%
c. By order of Commissioner 165 2%
2. Number of filings by discipline
a. Chemical Operation 3019 28%
b. Electrical Operation 3895 36%
c. Mechanical Operation 3697 34%
d. Design Patents 171 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 658
1986 232 1994 379 2002 272 2010YTD 539
1987 240 1995 392 2003 392
1988 268 1996 418 2004 441
4. Number known to be in litigation..... 3443.....32%
5. Decisions on requests.....10296
a. No. granted.....9467.....92%
(1) By examiner 9353
(2) By Director (on petition) 114
b. No. denied829.....8%
(1) By examiner 793
(2) Reexam vacated 35

^1Of the requests received in FY 2010, 16 requests have not yet been accorded a filing date, and preprocessing of 55 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).

6.	Total examiner denials (includes denials reversed by Director).....			907	
a.	Patent owner requester		451	50%	
b.	Third party requester		456	50%	
7.	Overall reexamination pendency (Filing date to certificate issue date)				
a.	Average pendency		25.4 (mos.)		
b.	Median pendency		20.0 (mos.)		
8.	Reexam certificate claim analysis:	Owner	3 rd Party	Comm'r	
		<u>Requester</u>	<u>Requester</u>	<u>Initiated</u>	<u>Overall</u>
a.	All claims confirmed	22%	25%	12%	23%
b.	All claims canceled	8%	13%	23%	12%
c.	Claims changes	70%	62%	65%	65%
9.	Total <i>ex parte</i> reexamination certificates issued (1981 – present)			7586	
a.	Certificates with all claims confirmed		1786	23%	
b.	Certificates with all claims canceled		877	12%	
c.	Certificates with claims changes		4923	65%	
10.	Reexam claim analysis – requester is patent owner or 3 rd party or Commissioner initiated.				
a.	Certificates – PATENT OWNER REQUESTER			2910	
(1)	All claims confirmed		634	22%	
(2)	All claims canceled		250	8%	
(3)	Claim changes		2026	70%	
b.	Certificates – 3 rd PARTY REQUESTER			4524	
(1)	All claims confirmed		1134	25%	
(2)	All claims canceled		592	13%	
(3)	Claim changes		2798	62%	
c.	Certificates – COMMISSIONER INITIATED REEXAM			152	
(1)	All claims confirmed		18	12%	
(2)	All claims canceled		35	23%	
(3)	Claim changes		99	65%	



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Inter Partes Reexamination Filing Data – June 30, 2010

1.	Total requests filed since start of <i>inter partes</i> reexam on 11/29/99.....	923 ¹																																					
2.	Number of filings by discipline																																						
	a. Chemical Operation	179	20%																																				
	b. Electrical Operation	443	48%																																				
	c. Mechanical Operation	289	31%																																				
	d. Design Patents	12	1%																																				
3.	Annual Reexam Filings																																						
	<table border="0"> <tr> <td>Fiscal Yr.</td> <td>No.</td> <td>Fiscal Yr.</td> <td>No.</td> <td>Fiscal Yr.</td> <td>No.</td> <td>Fiscal Yr.</td> <td>No.</td> </tr> <tr> <td>2000</td> <td>0</td> <td>2003</td> <td>21</td> <td>2006</td> <td>70</td> <td>2009</td> <td>258</td> </tr> <tr> <td>2001</td> <td>1</td> <td>2004</td> <td>27</td> <td>2007</td> <td>126</td> <td>2010YTD</td> <td>189</td> </tr> <tr> <td>2002</td> <td>4</td> <td>2005</td> <td>59</td> <td>2008</td> <td>168</td> <td></td> <td></td> </tr> </table>	Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.	2000	0	2003	21	2006	70	2009	258	2001	1	2004	27	2007	126	2010YTD	189	2002	4	2005	59	2008	168								
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2000	0	2003	21	2006	70	2009	258																																
2001	1	2004	27	2007	126	2010YTD	189																																
2002	4	2005	59	2008	168																																		
4.	Number known to be in litigation.....	638	69%																																				
5.	Decisions on requests	816																																					
	a. No. granted.....	781	96%																																				
	(1) By examiner	779																																					
	(2) By Director (on petition)	2																																					
	b. No. not granted.....	35	4%																																				
	(1) By examiner	31																																					
	(2) Reexam vacated	4																																					
6.	Overall reexamination pendency (Filing date to certificate issue date)																																						
	a. Average pendency	35.9 (mos.)																																					
	b. Median pendency	31.4 (mos.)																																					
7.	Total <i>inter partes</i> reexamination certificates issued (1999 - present)	167																																					
	a. Certificates with all claims confirmed	14	8%																																				
	b. Certificates with all claims canceled (or disclaimed)	82	49%																																				
	c. Certificates with claims changes	71	43%																																				

¹Of the requests received in FY 2010, 6 requests have not yet been accorded a filing date, and 19 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).

