

# **EXHIBIT B**



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# Reexamination Practice with Concurrent District Court or USITC Patent Litigation

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# Reexamination Practice with Concurrent District Court or USITC Patent Litigation

By Robert Greene Sterne, Kenneth C. Bass, III, Jon E. Wright & Lori A. Gordon<sup>1</sup>

## Authors' Note

Patent reexamination was selected as a topic for presentation at the annual Association of Corporate Patent Counsel (“ACPC”) Meeting on January 26, 2009, at the El Conquistador Conference Center in Los Croabas, Puerto Rico. This paper, which is based on the paper with the same title presented at the Sedona Conference® 2008 on Patent Litigation, has been updated to accompany Robert Greene Sterne’s presentation at the ACPC meeting. For those not familiar with the Sedona Conference®, its mission is to “engage in true dialogue, not debate, all in an effort to move the law forward in a reasoned and just way.”<sup>2</sup> The paper therefore subscribes to a neutral “Swiss” approach of presenting all sides of an issue and not taking sides so that the Sedona-like dialogue on the topic can ensue. Many people have provided comments and information for this article, including judges, senior officials from the PTO, patent litigators, patent prosecutors, academics, bloggers and interested members of the public. Moreover, the authors devote substantial portions of their practices to reexaminations on behalf of both patent owners and third party requestors. However, the views expressed herein are for purposes of deep dialogue and do not necessarily reflect those of any author or contributor to this on-going effort in legal analysis, scholarship and improvement of U.S. patent law.

## Introduction

This paper addresses the interplay between patent litigation before the Federal Courts or the United States International Trade Commission (“ITC”) (“the courts”) and co-pending reexamination proceedings involving the patent-in-suit before the United States Patent and Trademark Office (“PTO”). As independent arbiters of patent validity,

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<sup>1</sup> Sterne, Kessler, Goldstein & Fox P.L.L.C., (SKGF) Copyright 2009, All Rights Reserved. This paper was prepared for a presentation at The Association of Corporate Patent Counsel Annual Meeting, January 25-28, 2009, (*see*, <http://www.acpcnet.org/>) and is a continuation of the paper presented during the Ninth Annual Sedona Conference® on Patent Litigation, October 16-17, 2008, entitled “Reexamination Practice with Concurrent District Court Patent Litigation” by Robert Greene Sterne, Kenneth C. Bass, III, Jon E. Wright, Lori A. Gordon and Matthew J. Dowd, Copyright 2008 The Sedona Conference® and SKGF, All Rights Reserved, (*see*, <http://www.thesedonaconference.org/>). The authors thank Michael Messinger, Michael Specht, Jason Eisenberg and Pauline Pelletier of Sterne Kessler for the reexamination stay research and data gathering and analysis presented in this article. [www.skgf.com](http://www.skgf.com) The Sedona Conference Journal® is scheduled to publish the next version (Version 9) of this paper in their upcoming Volume 10 of the SCJ in the summer of 2009. The Sedona Conference® and SKGF will jointly own the Copyright in Version 9 of this paper.

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

each forum poses a distinct set of challenges and risks. These so-called “parallel universes” work with separate rules, standards, procedures, time lines, and results in cases involving the same patent. Celebrated cases involving high profile reexaminations and co-pending litigation include *NTP, Inc. v. Research in Motion, Ltd.*<sup>3</sup> (patents found to cover the Blackberry), *TiVo v. Echostar*,<sup>4</sup> (TiVo’s TimeWarp Patents) and *Proctor & Gamble v. Kraft Foods Global, Inc.*<sup>5</sup> (patents for packing fresh coffee). These well-known cases involving highly profitable products have highlighted the critical interplay between these two worlds—one of Article III or Article I courts on the one hand and the PTO on the other.

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

Second, the legal landscape surrounding patent validity and reexamination has been in great flux. The Supreme Court’s decision in *KSR Int’l Co. v. Teleflex, Inc.*<sup>6</sup> dramatically changed the calculus for determining whether an invention was “obvious” and that decision alone appears to have cast serious doubt on the validity of many hundreds of thousands of issued patents. Further, Federal Circuit cases such as *In re Translogic Tech.*,<sup>7</sup> and *In re Swanson*,<sup>8</sup> dramatically impacted and illuminated the legal landscape and brought the interplay between the courts and the PTO into sharper focus. This trend should continue as patent reexaminations exert a growing influence on patent litigation due to reexamination becoming a viable (or even preferred) venue to challenge patent validity.

For these reasons the Sedona Conference® on Patent Litigation has incorporated reexamination into its program since 2006. Use of reexamination has continued its rapid growth with no sign of slowing for 2009, and the impact of a potential reexamination is now commonly considered by both parties in nearly *every* patent litigation. Patent

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

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

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

<sup>6</sup> *KSR Int’l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007).

<sup>7</sup> *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2008) (The Federal Circuit was presented with simultaneous appeal from BPAI and District Court on same patent. The Court decided the BPAI appeal first, upheld BPAI’s ruling that the patent was invalid, and vacated Translogic’s \$85 million damages award from the district court.).

<sup>8</sup> *In re Swanson*, 540 F.3d. 1368 (Fed. Cir. 2008) (The Federal Circuit clarified when it is appropriate to base an SNQ on art previously considered by the Office.).

owners contemplating a lawsuit should have a strategy in place in case the asserted patent is put into reexamination by the accused infringer. Similarly, every patent infringement defendant should consider the benefits of reexamination as an alternate, and perhaps more friendly and favorable venue to challenge patent validity. In this paper, the authors expand and reinforce many of the topics covered in past Sedona Conferences® on Patent Litigation. The authors have also updated the reexamination statistics distributed by the CRU, performed additional data collection, and have addressed how the *KSR* decision and many other recent significant legal developments are impacting reexamination practice.

This paper is organized differently from a typical journal article. In the spirit of the Sedona conference, **Section I** starts with hot topics and cutting edge recent legal developments in reexamination law and practice. This first section presumes the reader is at least somewhat familiar with the use of reexamination as a viable, alternative post-grant venue for challenging patent validity. In **Section II**, we describe in more detail the “parallel universe.” While both district court and reexamination proceedings both examine the ultimate question of patent validity, the two venues are quite different in both scope and standards of review. Understanding the differences is vital to any strategic decision making. In **Section III** we present advanced reexamination strategy considerations where federal court or ITC litigation is threatened or pending. Again, this section presumes some basic knowledge of reexamination practice. We discuss timing of reexamination requests, the risk versus reward calculus, general reexamination tenets, and other considerations. **Section IV** is a concise discussion of certain important aspects of basic reexamination practice. Therein, we discuss what is required to institute a reexamination and the differences between *ex parte* and *inter partes* reexaminations. **Section V** provides a brief overview of the CRU, the current issues it faces, and recent initiatives to improve its core processes. We end with **Section VI**, which is a presentation and discussion of the most recent reexamination statistics, from both the CRU and our own independent data collection and analysis.

## ***I. Hot Topics and New Developments***

The marked increase in the use of reexamination has naturally caused more frequent and closer evaluation and scrutiny of its unique procedures by involved parties and the courts. In short, it is becoming one of the faster developing areas of intellectual property law and, in the words of top PTO officials, it is a true “work in progress.” The authors have identified a number of hot issues that are currently confronting parties that find themselves in the “parallel universe.” The hot topics include (A) impact of PTO decisions on stock price, (B) reexamination pendency, (C) substantial new questions of patentability, (D) real party in interest, (E) duty of disclosure, (F) protective orders, (G) stay of district court litigation in view of reexamination, (H) appeals from the CRU to the Board of Patent Appeals and Interferences, (I) the impact of reexamination on settlement, and (J) page limits in reexamination proceedings.

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

In certain celebrated situations in the past 18 months, the stock price (and company valuation) of a publicly traded patent owner has dropped precipitously due to a significant decision in a patent suit<sup>9</sup> or in a concurrent reexamination of the patent in suit such as the issuance of a non-final office action rejecting some or all of the claims of the patent in reexamination.<sup>10</sup> This precipitous drop is in large part due to “short selling” in the capital markets of the stock of the patent owner, which is driven down by the shorts as a way to make a big profit. Putting aside whether such practices are proper, it seems fair that the PTO should indicate on its website that rejections in non-final office actions do not necessarily reflect the final disposition of such claims in reexaminations. This information may stem the lack of knowledge of the full implications of a non-final office action and thus may allow the capital markets to more accurately and appropriately react to these reexamination developments.

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

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

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

<sup>10</sup> 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](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/>)

more powerful than the “truth” and it behooves senior executives and their counsel and advisors to be current on best practices on how best to deal with this ever present challenge.

The authors commend the book *STOP THE PRESSES*<sup>11</sup> by Richard S. Levick, Esq. and Larry Smith as an excellent source of best practices for meeting this challenge. The following eight suggestions were provided by Melissa Arnoff of Levick Communications on how best to control and frame instant corporate “news.”

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

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

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

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

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

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

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

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

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<sup>11</sup> Richard S. Levick & Larry Smith, *STOP THE PRESSES: THE CRISIS AND LITIGATION PR DESK REFERENCE* (Watershed Press, 2007 2<sup>ND</sup> Ed).

Compounding the issue of adverse impacts on stock is the delay by the PTO in posting documents on its publicly searchable database (“PAIR”). In a reexamination, this can often take 7 to 14 business days. Further, parties to the reexamination often do not receive any paper notification for several days after a document has been mailed or filed. This delay is unsatisfactory and needs to be eliminated by the PTO which unlike the federal courts does not e-mail the parties the latest entries in the reexamination docket.

### ***B. Reexamination Pendency***

Every party considering or facing a patent reexamination asks about the timing of the entire proceeding. Developing an expected timeline for a reexamination is strategically important, for instance, in assessing the possibility of a litigation stay, or to avoid potential impact on trial. Determining a timeline requires an understanding of how the CRU internally processes reexamination requests and determines the order in which reexamination are substantively considered. We provide here an overview of that process based on in-depth interviews with high level CRU officials.

Reexamination requests first undergo review by the CRU staff to ensure compliance with the rules. If the reexamination request passes this hurdle, a notice of request is made public in the Official Gazette. When a request is deemed to satisfy all the requirements of the *ex parte* or *inter partes* rules<sup>12</sup>, the filing date becomes the reexamination filing date. Just because the notice of request is published in the Official Gazette does not necessarily mean that the reexamination request was satisfactory. Roughly 10% of requests are later vacated by the examining panel for informalities. This number has fallen from roughly 15% in previous years.

Once a satisfactory request has been made, the CRU has a three month deadline to issue a decision on the request based on whether a substantial new question of patentability (“SNQ”) has been raised in the request.<sup>13</sup> Further, the CRU has established a goal to issue a final office action or an Action Closing Prosecution within two years of the filing date of a request for reexamination. All reexaminations are handled with “special dispatch” by statutory mandate.<sup>14</sup>

Nonetheless, higher priority is afforded to reexaminations of patents involved in litigation. Even higher priority is afforded when trial proceedings have been stayed pending the outcome of reexamination. The highest priority is assigned reexaminations that have been pending for two years (or more). The rules require patent owners to notify the Office of prior or concurrent proceedings<sup>15</sup> and the CRU has dedicated paralegals that search litigation databases for case status periodically during the pendency of the reexamination proceeding. The CRU thus assigns priority based on its own statistics and

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<sup>12</sup> 35 U.S.C §§ 510 (*ex parte* reexaminations) and 919 (*inter partes* reexaminations).

<sup>13</sup> The substantial new question of patentability (SNQ) is discussed in more detail in subsequent sections of this paper.

<sup>14</sup> 35 U.S.C. §§ 305 and 314.

<sup>15</sup> 37 C.F.R. §§ 1.565 and 1.985.



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 inter partes matters.

Currently, approximately 40% of the pending reexamination requests lay in the electrical/software/business method arts. In addition, the mechanical arts make up around 35% and this number is growing. While there may be a perception that reexamination is disfavored in the chemical/biological arts, we note that over 20% of reexamination filings were in these arts. The lower number of requests in the chemical/biological arts is likely a mirror of current trends in the technology centers and the fewer issued patents in the chemical/biological fields. Current pendency rates reflect the large number of reexaminations in the electrical arts. Using the 2-year-to-final-action metric, the chemical/biological group has no backlog, while nearly 90% of the mechanical reexaminations achieved this goal. However, only 70% of the electrical/software/business method reexaminations resulted in a final action by the 2-year point.

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

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

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

As yet there are no reliable statistics on the pendency of reexaminations appealed to the BPAI. In an April 2008 briefing on *inter partes* reexaminations, the Institute for Progress estimated the average pendency for an un-appealed *inter partes* reexamination as more than 3.5 years and the expected pendency for appealed *inter partes* reexamination as at least 6.5.<sup>16</sup> Our survey of the *inter partes* reexaminations filed between 1/1/2000 and 5/31/2003 supports this expected pendency data for appealed *inter partes* reexaminations. Only four of the reexaminations filed during this period reached the stage where the BPAI has issued a decision. In each of those cases, the time period

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<sup>16</sup> *Reexamining Inter Partes Reexamination*, Institute for Progress (April 2008).

between the issuance of the right of appeal notice by the CRU and the issuance of the decision of the BPAI has been greater than three years.<sup>17</sup>

Is the pendency introduced by the appeal process driven by the BPAI or the CRU or a combination of both? Practitioners note that at least seven months can pass between the filing of a notice of appeal, the patent owner's brief, the third party requester response (if *inter partes*), and the examiner's answer. In the *inter partes* reexaminations we analyzed, this time period is often longer due to the period of time between Respondent's Brief and the Examiner's Answer.<sup>18</sup> The authors note that these early filed cases may not be representative because each of these reexaminations was filed prior to the institution of the CRU. At this time, there is no way to determine whether the CRU will increase the speed of the appeal briefing process.

After hearing an appeal, the BPAI has a stated goal of then rendering a reexamination decision in six months.

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

Fundamental to every reexamination request is the substantial new question of patentability or the SNQ. The SNQ is the touchstone of patent reexamination and every reexamination request—both *inter partes* and *ex parte*—must sufficiently establish that an SNQ exists. While it may sound relatively simple, presentation of an SNQ is more subtle than most practitioners realize. This section presents an overview of the SNQ. It then discusses the impact of two recent court decisions on the SNQ.

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

Before the PTO will order a reexamination, the requestor must demonstrate at least one new substantial new question of patentability (“SNQ”) in the reexamination request. The presentation and support of an SNQ has tripped up many practitioners. The CRU rejects many reexamination requests on first filing for failure to cite an SNQ or for improperly citing references not used to develop an SNQ. It behooves practitioners to make sure they scrupulously comply with the rigorous requirements of the CRU relating to SNQs.

Further, there is a common but fundamental misunderstanding by many as to the difference between an SNQ and a proposed ground of rejection. An SNQ is not a proposed ground of rejection (a “*prima facie*” case of unpatentability), as many believe. Instead, an SNQ is new 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 they have been any. The SNQ could therefore be more aptly named a “substantial new technical teaching.”

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<sup>17</sup> See Reexamination Control Nos. 95/000,006, 95/000,009, 95/000,015, and 95/000,017.

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

However, not all previously considered references (“old art”) or unconsidered references (“new art”) may raise an SNQ. First, art previously considered in original prosecution may be used to support an SNQ if shown in a new light. Second, previously unconsidered art may not provide *de facto* support for an SNQ if it is merely cumulative to art already considered by the Office. We discuss these circumstances in more depth in the next sections.

## 2. *In re Swanson and the SNQ*

The Federal Circuit in *In re Swanson*<sup>19</sup> recently clarified what it takes to support an SNQ where a reference was previously used to reject the claims in original prosecution. The *ex parte* reexamination statute sets forth the universe of references that can be used to raise a SNQ.<sup>20</sup> In addition to a newly discovered reference, a previously applied reference can raise a SNQ if the previously applied reference is presented in a “new light”. Section 303(a) makes this explicit — “[t]he existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”<sup>21</sup> *In re Swanson* provides some guidance on what constitutes a “new light” for old art. For example, an SNQ based on previously applied art could arise because the examiner in the original examination misunderstood the actual technical teaching, because the examiner failed to consider a portion of the reference that contained the now cited teaching, or if the examiner applied the reference to a different limitation or claim than the reference is currently being applied.

But a reference does not raise an SNQ if the examiner in the original examination understood the actual technical teaching, but got it “wrong” in the rejection. This is a subtle but critical distinction. The purpose of the SNQ is to create a threshold for reexamination to prevent serial reexamination proceedings on the same references, and to prevent harassment of the patent owner. Congress, in creating the reexamination proceeding in 1980, was concerned about this possibility and created the SNQ as the gatekeeper or threshold that had to be satisfied for the PTO to institute a requested reexamination.<sup>22</sup>

Finally, as noted above, the technical teaching must be “substantially new.” Even a newly discovered reference may not raise a SNQ if the reference is merely cumulative to similar prior art already fully considered by the PTO in a previous examination (and

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<sup>19</sup> *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008).

<sup>20</sup> 35 U.S.C. § 303(a) (patents and printed publications).

<sup>21</sup> 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*, p. 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.

<sup>22</sup> H.R. Rep. No. 96-1307 (1980).

previous reexaminations).<sup>23</sup> This is an important point when determining whether to file a reexamination request or what references to use in a subsequent *ex parte* reexamination of a patent.

### 3. *KSR and the SNQ*

A further unsettled issue for many practitioners is the impact of *KSR* on reexamination practice. Did *KSR* open the door to reexamination challenges based on prior art overcome during original prosecution by arguing lack of teaching, suggestion, or motivation to combine?<sup>24</sup> The PTO pondered this critical issue for over sixteen months and then addressed this question explicitly in Rev. 7 of the M.P.E.P. (Manual of Patent Examining Procedure or MPEP), which became publicly available in August 2008. The MPEP now states:

The clarification of the legal standard for determining obviousness under 35 U.S.C. § 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.

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<sup>23</sup> MPEP § 2242.

<sup>24</sup> When *KSR* was decided at the end of April 2007, the PTO feared an avalanche of reexaminations based solely on an argument that the obviousness standard applied in the original prosecution had been relaxed. This argument was advanced by the Third Party Requester in *Ex Parte* Reexamination Control No. 90/008,949. In this request, the Third Party Requester argued that the Supreme Court’s decision in *KSR* provided a “new light” in which to view the references under the doctrine of obviousness. See Order Denying Request for *Ex Parte* Reexamination in Reexamination Control No. 90/008,949, p. 4. The *Ex Parte* Reexamination request was denied by the PTO. *Id.*, p. 5. In the denial, the PTO clarified the standard for determination of whether an SNQ exists based on “old art”:

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

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

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

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.<sup>25</sup>

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

Another open issue is the impact of *KSR* on the examination in current reexamination proceedings. On October 10, 2007, the PTO issued a set of guidelines for examiners of *ex parte* patent applications for implementing the new obviousness calculus presented in *KSR*.<sup>26</sup> The reexamination community has expected a similar set of guidelines explaining how the CRU will apply *KSR* in reexaminations, especially with regard to the obviousness determination where the SNQ(s) involves one or more references considered in the original examination that took place prior to *KSR*. The creation of these guidelines from the CRU has been rumored since Sedona Patent Litigation 2007, but so far they have not been published by the PTO<sup>27</sup>.

*KSR* states that patent examiners, as well as the courts, can review the factual predicates underlying the obviousness calculus and reach the ultimate legal conclusion whether the subject matter is obvious.<sup>28</sup> Thus, it makes logical sense that it would be of great interest to the reexamination examiners to know what a person of ordinary skill in the art would have known at the time of filing of the original application for which reexamination is requested. The third party requestor 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

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<sup>25</sup> MPEP § 2216, Rev. 7, July 2008.

<sup>26</sup> Examination Guidelines for Determining Obviousness Under 35 U.S.C. 103 in View of the Supreme Court Decision in *KSR International Co. v. Teleflex Inc.*, 72 Fed. Reg. 195, p.57526 (October 10, 2007). (Examination Guidelines).

<sup>27</sup> It seems in practice that the CRU is following the lead of the Examination Guidelines for patent applications.

<sup>28</sup> *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.”)

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 a extensive discussion of the various factors, articulated by the Federal Circuit and discussed in the Examination Guidelines, which may be considered in determining the level of ordinary skill in the art.<sup>29</sup> The specific factors addressed in the ‘353 request included the types of problems encountered in the art, prior art solutions to those problems, rapidity with which innovations are made, the sophistication of the technology, and the educational level of active workers in the field.

#### **D. Real Party in Interest**

*Ex parte* reexamination requests may be filed anonymously by any party, at any time.<sup>30</sup> This is NOT true for *inter partes* reexamination requests. Specifically, the patent owner and its privies are not permitted to file *inter partes* reexamination requests on their own patents.<sup>31</sup> Were anonymous requests permitted, a patent owner could participate on both sides of an “*inter partes*” reexamination. Clearly, this is (and should be) prohibited or the *inter partes* nature of the proceeding would be lost. Further, neither the third party requester nor its privies may request a subsequent *inter partes* reexamination until the first one is completed.<sup>32</sup>

For these reasons, *inter partes* reexamination requests require the third party requester disclose the “real party in interest.” Such disclosure must be “to the extent necessary for a subsequent person filing an *inter partes* reexamination request to determine whether that person is a privy.”<sup>33</sup>

The PTO is currently struggling with the “real party in interest” rule where there is concurrent district court litigation with multiple defendants. Typically, in a multi-defendant litigation, the group of defendants will create a joint defense group (“JDG”). Issues occur when one 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

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<sup>29</sup> 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); *Envil. Designs, Ltd. v. Union Oil Co.*, 713 F.2d 693, 696 (Fed. Cir. 1983).

<sup>30</sup> 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”).

<sup>31</sup> See 37 C.F.R. § 1.913 (authorizing “any person other than the patent owner or its privies” to file an *inter partes* reexamination request); see also 37 C.F.R. § 1.915(b)(8) (requiring the *inter partes* request to include the identity of the real party in interest).

<sup>32</sup> 37 C.F.R. § 1.907(a)

<sup>33</sup> 37 C.F.R. § 1.915(b)(8).

bound by the estoppel provisions.<sup>34</sup> An alternative scenario is that the defendant filing the *inter partes* reexamination request is doing so on its own initiative, and perhaps against the wishes of the other one or more co-defendants.

In such situations, who is the real party in interest? Just the third party requester or the entire JDG? Just those JDG members who have concurred with the reexamination strategy? Just those JDG members who have provided prior art, research, review, analysis, drafts, staffing support, financial backing, concurrence on actual filings, approval of filings, etc.? The authors are aware of several cases involving various flavors of this scenario where the patent owner has filed a petition to vacate the reexamination order, or suspend the reexamination, on the grounds that the “real party in interest” has not been identified and the PTO therefore lacks jurisdiction to continue reexamination proceedings.<sup>35</sup> Where the parties disagree on the facts, the PTO takes the position that it has not been vested with the tools, such as a subpoena power, statutory authority, or a discovery process in reexamination proceedings, necessary to make a proper factual determination. Nor is there clear guidance in the *inter partes* reexamination statute, its legislative history, the PTO rules, or from the courts as to how to resolve such “real party in interest” issues which are real, but now often effectively ignored.

Perhaps most importantly, such petitions are not handled by the CRU, but are referred to the Office of Patent Legal Administration (“OPLA”). These petitions take time and often significant resources to resolve and are perceived by some as being directly contrary to the statutory requirement that the 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.

There is at least one case where the PTO has dismissed an *inter partes* reexamination where the real party in interest was not resolved to its satisfaction.<sup>36</sup> The request was filed by an entity calling itself “Troll Busters.” The requester’s website describes its service as completely anonymous: “Troll Busters takes aim and fires in our own name. The Patent Troll will never know who or how many are behind the ‘hit’.”<sup>37</sup> In practice, the PTO will generally 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, the PTO issued a show cause order to establish the identity of the real party in interest. The PTO was not persuaded with the response, and terminated the reexamination stating that “Troll Busters cannot act as a ‘shill’ in an *inter partes* reexamination request to shield the identity of the real party or parties in interest.”<sup>38</sup> This is the only case of which the authors are aware where the PTO has terminated an *inter*

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<sup>34</sup> 35 U.S.C. §§ 315(b) and 316(b).

<sup>35</sup> The real party in interest issue arises in *inter partes* Reexamination Control Nos. 95/000,227 and 95/000,229.

<sup>36</sup> See Reexamination Control No. 95/001,045.

<sup>37</sup> See <http://www.troll-busters.com/>.

<sup>38</sup> See Control No. 95/001,045, “Decision Vacating Filing Date,” p. 7 (mailed Aug 25, 2008).

*partes* reexamination request based on a finding of a violation of the real party in interest requirement.

The Troll Busters case presents several important lessons. First, “extrinsic evidence may be submitted by the patent owner to support a petition to vacate the filing date or the Office may use extrinsic evidence to, *sua sponte*, order the requester/real party in interest to show cause.”<sup>39</sup> Second, the PTO stated that “[a]n entity named as the sole real party in interest may not receive a suggestion from another party that a particular patent should be the subject of a request for *inter partes* reexamination and be compensated by that party for the filing of the request . . . without naming the party who suggested and compensated the entity for the filing of a request.”<sup>40</sup> Finally, the PTO explicitly noted that *ex parte* reexamination was still an option for Troll Busters.

In sum, the PTO has a limited ability and appetite to resolve real party in interest disputes in the context of *inter partes* reexamination procedures because the PTO does not have the discovery mechanisms in reexamination proceedings and resources to mediate or decide such a dispute. However, the “Troll Busters” case shows that an insufficient response to a show cause order will result in dismissal of the *inter partes* reexamination. This is a hot area of dispute, and the authors expect to see more developments over the next year.

### ***E. 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 requestor participating in an *inter partes* reexamination owes a duty of candor and good faith to the PTO under 37 C.F.R. § 10.18. The ongoing duty of disclosure for the patent owner raises some interesting strategic questions that we consider below.

For instance, who should handle the reexamination? Options include using patent attorneys from the trial team, or prosecution attorneys from the litigating law firm. Alternatively, outside patent attorneys or patent attorneys inside the patent owner’s company could be used. Critical issues to consider include efficiencies, maintenance of privilege, and 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.

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. This conceivably could result in the filing of an IDS of voluminous length citing all types of prior art uncovered in the course of a concurrent patent litigation. There are many examples of IDS filings in reexaminations where hundreds and hundreds of possible prior art items disclosed during a concurrent litigation are dumped on the CRU.

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<sup>39</sup> *Id.*

<sup>40</sup> *Id.*



However, the reexamination proceeding is strictly limited to considering prior art in the categories of patents, printed publications and admissions, and cannot address other forms of prior art such as public use, offer for sale, public knowledge, etc. Considerable CRU resources are wasted by Examiners considering art that cannot form the basis of a rejection of the original issued claims in a reexamination.<sup>41</sup> However, only submitting patents and printed publications in an IDS does not relieve the patent owner and its reexamination attorneys of the risks of violation of the duty of disclosure and possibly committing inequitable conduct.

Further 37 C.F.R. § 10.18 requires the patent owner's reexamination attorneys to conduct a reasonable inquiry of submissions to the PTO, which means that some level of review of each prior art submission should be done prior to filing. Currently it seems that due to the risk of inequitable conduct, patent owners are erring of the side of voluminous IDS filings and are not culling out possible prior art that does not fit into the categories of patents, printed publications and admissions.

Throughout the *inter partes* reexamination proceeding, the patent owner also has an obligation to "call the attention of the Office to any prior or concurrent proceedings in which the patent is or was involved, including but not limited to interferences, reissue, reexamination, or litigation and the results of such proceedings."<sup>42</sup> Additionally, any party may file a paper in an *inter partes* reexamination proceeding notifying the Office of the same. How much information is a party required to submit from a concurrent litigation? Is bare notice of a concurrent proceeding sufficient to meet the obligation imposed by Rule 985? Many patent owners are submitting voluminous court documents from concurrent litigation. Many of these documents would not qualify as prior art during original prosecution or reexamination prosecution.

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

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<sup>41</sup> If a Patent Owner chooses to add new claims or amend claims during a reexamination proceeding, the added language is subjected to a broader examination, similar to that of an examination of an original application. For example, the new claim or new limitation is considered for compliance under 35 U.S.C. §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.

<sup>42</sup> 37 C.F.R. § 1.985; see also § 1.565 for similar *ex parte* rule.

While possibly not under the duty of disclosure, the requester nonetheless has the duty of candor during the PTO proceeding, as that rule<sup>43</sup> applies equally to both reexaminations and all other proceedings before the PTO.<sup>44</sup>

#### ***F. Protective Orders***

The interplay between the duty of disclosure in a reexamination proceeding and a protective order in a concurrent litigation is a critical issue facing a patent owner. 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?

As a general matter, no party having access to another party's highly confidential technical information under a protective order should be allowed to draft or supervise the drafting of pending claims in applications or claims under reexamination in the same technical space. Obviously, in-depth knowledge of a competitor's highly confidential technical information, combined with the ability to amend claims, would often convey a dangerously unfair advantage to the recipient of such information. This applies equally to patent infringement plaintiffs and defendants, and applies equally whether the highly confidential information is received from an adversary or a party with temporarily aligned interests such as a co-defendant.

Therefore, a key question facing a patent owner is who can be called upon to prosecute and/or consult on strategy for the reexamination proceeding or the prosecution of other pending applications. To what extent may the patent owner's trial team participate in prosecution of its pending patent applications, reexaminations, reissues, or interferences using information derived from the litigation? To what extent may the accused infringer's trial team participate in prosecution of their own patent applications in the same subject matter as the patents in suit, in reexaminations of the patent owner's patents, or in interferences involving the patent owner?

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

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<sup>43</sup> 37 C.F.R. § 10.18.

<sup>44</sup> The uncertainty between the required and also preferable bounds of the duty of disclosure in reexaminations and the ever present specter of a violation of the duty of disclosure, where even many at the PTO will say they do not know where the real lines are, is argued by some as just another example of why significant change in the law of inequitable conduct (or the duty of disclosure) needs to occur, whether by court decision or legislative change.

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

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

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

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

The Supreme Court's decision in *KSR v. Teleflex* altered the obviousness calculus in fundamental way by making the obviousness determination more subjective. The full scope of KSR's impact on patent reexamination remains to be seen, but initial reports indicate that the results may be dire for patent owners, particularly in the "predictable" arts. Extensive research about the impact of *KSR* has been done by many groups and shows that the impact is significant in original prosecution based on a statistically significant sample. Perhaps the most extensive publicly available sample and analysis is by Microsoft's Corporate Vice President for IP Policy and Strategy, Marshal Phelps *et al.* that was presented at Sedona Patent Litigation 2008.<sup>45</sup> As this analysis shows, it appears the only way to effectively 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 difficult to overcome an obviousness rejection.<sup>46</sup>

It is clear from recent Federal Circuit and BPAI of Patent Appeals and Interferences (BPAI) decisions that mere attorney argument is not sufficient in many cases to prove non-obviousness.<sup>47</sup> The attorney is typically not an expert in the

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<sup>45</sup> See Microsoft Obviousness Data Research Slide Deck in Obviousness Panel tab of course notebook of Sedona PL08.

<sup>46</sup> 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.

<sup>47</sup> See *Sundance, Inc. v. Demonte Fabricating LTD.*, No. 2008-1068, -1115 Slip op. at 4-7 (Fed. Cir. Dec. 24, 2008)

technology of the claimed invention and is not a person of ordinary skill in the art.<sup>48</sup> To prove non-obviousness it seems the best tact is for the story of the invention to be told in its full glory so that the factual predicates are found in the record to support the desired legal conclusion of non-obviousness. While *KSR* makes many statements about what is or is not obvious, it is clear from Supreme Court law that what the decision-maker requires is all of the relevant facts about the invention and its predecessor technology. Thus it behooves the patent owner to make sure that all of the necessary factual predicates be put in the reexamination record to support the desired legal conclusion of non-obviousness. Failure to do so could result in the CRU finding the claims not patentable and the BPAI and Federal Circuit on appeal being limited to a record that will not permit a reversal.

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

One crucial consideration is how to get factual evidence into the record during reexamination? Factual evidence could 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, albeit it is a tactical decision just to have POSITA qualification since a qualified technical expert can typically also opine as a POSITA. It should be clear, however, that, with the admonition that reexamination counsel for the patent owner is ill advised to assume either role explicitly or through attorney argument unless she can be qualified as if she is testifying as such in court.<sup>49</sup>

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

First is the specter of inequitable conduct. Reexamination counsel for patent owner is particularly vulnerable because the law is somewhat confused in this area of what constitutes sufficient disclosure of pecuniary benefit between affiant/declarant and the patent owner. Future versions of this paper will address this more fully. However, it behooves the drafter to err on the side of comprehensive disclosure, but such approach

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<sup>48</sup> *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.”)

<sup>49</sup> *Id.*

increases the size of the administrative record, something the PTO has indicated it would like to avoid, all things being equal.<sup>50</sup>

The second concern is that the reexamination examiners have no mechanism and little experience at best in assessing the competency and veracity of the information and analysis presented in written submissions.<sup>51</sup>

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

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

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

Not a single *inter partes* reexamination has been appealed from the BPAI to the Federal Circuit. While a small percentage of *inter partes* reexamination certificates have issued from the CRU<sup>52</sup>, a search of the BPAI’s decisions reveals that the BPAI has decided less than five *inter partes* reexaminations.<sup>53</sup> Significantly, at least three of these decisions resulted in a non-final, non-appealable decision, and were therefore remanded to the examiner for further prosecution.<sup>54</sup>

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<sup>50</sup> Since the duty of disclosure does not apply to reexamination counsel for third party requestor, can “reverse” inequitable conduct be found by the PTO, BPAI or the courts for requestor submissions clearly hiding the ball from the reexamination examiners? Or is the only possible violation that of 37 C.F.R. § 10.18? And if the later 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 requestor troubles many people and we expect it to be addressed by some tribunal soon.

<sup>51</sup> 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.

<sup>52</sup> A Reexamination Certificate is issued at the completion of the reexamination process, regardless of the outcome, which often is cancellation or disclaimer of all of the claims.

<sup>53</sup> See e.g., Reexamination Control No. 95/000,006 (USPN 6,357,595); Reexamination Control No. 95/000,009 (USPN 6,399,670); Reexamination Control No. 95/000,030 (USPN 6,508,393).

<sup>54</sup> It has been posed to the authors that the reason for no *inter partes* case making it from the BPAI to the Federal Circuit is due (1) to the very small number of *inter partes* reexaminations filed in the early years of the statute; and (2) to the practical reality that the *inter partes* reexamination process is a “work in progress” and like all such endeavors, it takes time to work out the kinks and “get it right.” Both of these observations appear correct but belie the practical consequence that the goals of *inter partes*

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

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.<sup>55</sup>

Another possible reason for absence of cases making it to the Federal Circuit, is that, for a certain small subset of *inter partes* reexaminations, the process is effective without need to appeal to either the BPAI or the Federal Circuit. According to a recent PTO statistics, 44 *inter partes* reexamination certificates have issued as of December 31, 2008, out of 544 total requests.<sup>56</sup> While this represents only ten percent of total *inter partes* reexaminations granted, the statistics indicates that [t]hird-party requesters succeeded in having all claims cancelled or disclaimed in 70% (31) of the first 44 completed *inter partes* proceedings in which a certificate issued.<sup>57</sup> The high success rate is skewed by the significant non-response rate by the patent owner either after a first Office Action or after actions later in prosecution. Thus, the data might simply show that the *inter partes* process works well for a very weak patent in which the patent owner has little incentive to defend the patent's validity.

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reexamination of being faster, better and cheaper than the district courts in assessing patentability based on patents and printed publications have failed so far in practice.

<sup>55</sup> At Sedona PL08 this possibility of multiple remands (dubbed the "infinite do loop" from computer programming parlance) was raised and seriously discussed. Senior PTO officials and others were concerned about its existence. Since then the authors have conferred with these senior officials and others to assess whether this problem is global or whether it is limited to two possible remands or to certain situations (e.g., the unadopted proposed ground of rejection example discussed). It seems that it is too early in the deployment of the current *inter partes* reexamination process to know whether the problem is global. Moreover, it may be that the BPAI will go more in the direction of acting as a judge who makes a final decision and sets case for appeal to Federal Circuit, and less as a "super examiner" who remands for another round of prosecution in its review of *inter partes* reexaminations.

<sup>56</sup> *Inter Partes* Reexamination Filing Data - December 31, 2008, United States Patent and Trademark Office (December 2008).

<sup>57</sup> *Id.*

The practical effect of this uncertainty appears to be that the BPAI remands at least some reexaminations, especially *inter partes*, back to the CRU.<sup>58</sup> Based on the authors' interviews with senior BPAI and CRU personnel, we know the PTO is aware of this issue and is working to assess the issue and perhaps to devise changes that take into consideration the policy goals behind *inter partes* reexamination. Specifically, the PTO is seeking an approach that recognizes that *inter partes* reexamination should not be a tool used to harass patent owners, but rather functions as post-grant validity check on issued patents that is faster, cheaper, and better than federal the court challenges. Those objectives formed Congress's basis for creating the *inter partes* reexamination process.

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

What is the effect on *inter partes* reexamination proceedings where a settlement agreement is reached in a concurrent litigation and one of the parties to the reexamination concedes or stipulates either to the validity or invalidity of the patent? It is well settled that, during litigation, patent owners may make admissions to which they are bound by the PTO during reexamination proceedings. For instance, a patent owner may make a binding admission as to whether a particular reference is prior art. If a third party requester concedes patent validity in a settlement agreement, is the PTO then obligated to decide the reexamination on such admission? In such a situation, does the third party requester lose standing to participate in an *inter partes* reexamination? If so, would the *inter partes* reexamination be terminated or convert to an *ex parte* reexamination?

Careful attention should therefore be paid to any settlement agreement involving a patent that is also subject to a reexamination request. Does the settlement agreement only refer to the asserted claims or all claims of the patent? If the former, should the reexamination continue on the remaining claims subject to the reexamination? Further, are there any estoppels that might adhere to subsequent third party requesters with regard to the claims covered by the settlement agreement? For example, has the existence of an SNQ against the claim covered by a validity statement in the settlement or court order been extinguished for subsequent third party requesters? It seems that the PTO does not believe it is bound by settlement agreements and that once a reexamination is instituted, the reexamination processing will continue until it has run its course. The rationale is that reexamination is a quality control measure directed at removing improperly granted patents from the public. Moreover, the third party requester that settles an *inter partes* reexamination effectively turns that proceeding into one that is *ex parte* in nature (i.e., only the patent owner remains) and other interested entities are not allowed by the PTO to step into the shoes of the settling requestor.<sup>59</sup> But whether a reexamination can upset a prior settlement agreement is another story, as noted in *In re Swanson*.<sup>60</sup>

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<sup>58</sup> The question has been raised by several as to why this multiple remand ("infinite do loop") problem does not exist with *ex parte* reexamination. One answer may be the structural difference of the third party requester not having standing once the *ex parte* request is instituted. A patent owner has no incentive to raise the "new ground of rejection" argument at the BPAI that the CRU should have adopted a proposed ground of rejection not used from the reexamination request.

<sup>59</sup> 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

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

The *inter partes* reexamination rules impose a 50-page limit on Office Action responses filed by the patent owner and written comments filed by the third party amendments. 37 C.F.R. § 1.943(b). However, there is no corresponding limit set on the size of the reexamination request or the Office Action issued by the Examiner<sup>61</sup>.

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

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

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

## **II. The “Parallel Universe” Examined**

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

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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.

<sup>60</sup> *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”).

<sup>61</sup> The trend in *inter partes* reexamination appears to be the filing of lengthy reexamination requests. In many cases, the reexamination request exceeds 500 pages. It is not uncommon for the request to exceed 250 pages.



### ***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 all provisions of 35 U.S.C. §§ 101, 102, 103 and 112. Further, patent challengers may also argue that the asserted patent is unenforceable due to either inequitable conduct or laches. Patent reexamination, on the other hand, is far more limited in scope. By statute, reexaminations may only be initiated when the PTO is presented with a “substantial new question of patentability” or “SNQ.”<sup>62</sup> An SNQ may only be predicated on prior art printed publications, and may not be cumulative to information already considered by the PTO in original prosecution or in prior reexaminations. An SNQ may not be predicated on any other statutory provisions, including whether the claims contain statutory subject matter under section 101, or whether there exists an “on-sale-bar” or “public use” under section 102(b). Any party considering a parallel reexamination should be aware of the limited scope of 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 litigation, 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. Because of the patent owner’s ability to amend claims, the PTO and the CRU use a “preponderance of the evidence” standard for adjudging patentability.<sup>63</sup> For this reason, challenging a patent’s validity should be easier before the PTO than in the district court. Nevertheless, a patent owner faces many practical limitations in its ability to amend claims during reexamination<sup>64</sup>. As noted herein, if claims are substantively amended, liability for past damages is put at serious risk.

### ***C. Claim Construction***

The standards for claim construction are very different in district court litigation than they are in patent reexamination proceedings. During reexamination proceedings, claims are construed with their broadest reasonable interpretation, consistent with the

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<sup>62</sup> 35 U.S.C. §§ 303, 304, 312, 313.

<sup>63</sup> 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.”).

<sup>64</sup> No proposed amended or new claim enlarging the scope of claims of a patent is permitted in a reexamination proceeding. 35 U.S.C. § 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.

specification.<sup>65</sup> For this reason, a Markman order in district court litigation has no preclusive effect on the PTO and is not binding thereon.<sup>66</sup> A broad claim construction draws in more potential prior art.<sup>67</sup>

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

This is not a merely academic distinction--the difference in claim construction can have real world effects in the parallel universe. Consider a situation where a court issues a claim construction order in a litigation and the patent owner is ultimately successful in defending its intellectual property right against an invalidity challenge based on this claim construction. The defendant (or another third party) may subsequently challenge the validity 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. A patent owner may be forced due to these different claim construction standards into the difficult circumstance of amended 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. Several patent owners have faced this exact situation.

#### ***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 litigation 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, patent validity is determined by technically trained, experienced patent examiners. Moreover, the CRU assigns a 3 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 . . . .”<sup>68</sup> A

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<sup>65</sup> *In re Yamamoto*, 740 F.2d 1596, 1571 (Fed. Cir. 1984).

<sup>66</sup> *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1297 (Fed. Cir. 2007).

<sup>67</sup> 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.

<sup>68</sup> *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008)

prior holding of validity by a district court is therefore not inconsistent with a subsequent holding of invalidity by the PTO. While the PTO may accord deference to factual findings made by the court, the determination of whether an SNQ exists will be made independently of the court's decision on validity, since the decision is not controlling on the PTO.<sup>69</sup> A non-final holding of claim invalidity or unenforceability will also not be controlling on the question of whether an SNQ is present. Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the PTO. In such cases, an SNQ would not be present as to the claims held invalid or unenforceable.<sup>70</sup> In other words, the PTO will not reexamine patent claims that were previously invalidated by a U.S. court. In sum, only a final, un-appealable, ruling on invalidity is binding on either entity. For the rest, no deference is owed.

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

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

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

### ***III. 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 settlement with the patent owner.<sup>71</sup> After the reexamination is instituted, it will take on a life of its own. Many pitfalls await the unwary requester who has not fully thought out the consequences of filing a reexamination request. The following sections are presented roughly in chronological order.

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<sup>69</sup> *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988); *In re Swanson*, No. 2007-1534 at pp. 12-18 (citing *Ethicon*, 849 F.2d at n. 3 and *Stevenson v. Sears Roebuck & Co.*, 713 F.2d 705, 710 (Fed. Cir. 1983)) (emphasis in original)..

<sup>70</sup> See MPEP § 2686.04.

<sup>71</sup> In a recent example, we are told that a third party requester attempted to halt a reexamination proceeding by stopping payment of a check for the reexamination fee. The PTO indicated that such actions could result in OED imposing a suspension of the attorney from PTO practice for taking the action.

### **A. 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 bell cannot be unring.

### **B. Litigation Stays**

If the threat of reexamination did not result in settlement, then the next avenue a patent challenger may pursue is a stay of the district court litigation. 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 very different rules and standards for determining whether a stay is appropriate. Further, 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.<sup>72</sup> 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.<sup>73</sup> 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. Further, the accused infringer was barred from directly or indirectly instituting any further reexamination proceedings.

Despite this nearly unfettered discretion, however, courts will generally consider at least the following factors in making stay determinations. “(1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2)

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<sup>72</sup> The Supreme Court has long recognized that district courts have broad discretion to manage their dockets, including the power to grant a stay of proceedings. *See, e.g., Landis v. N. Am. Co.*, 299 U.S. 248, 254-55 (1936) (“[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of causes on its docket . . . . How this can best be done calls for the exercise of judgment, which must weigh competing interests and maintain an even balance.”)

<sup>73</sup> *Visto Corp. v. Research in Motion Ltd.*, No. 2:06-cv-181 (E.D. Tex. July 2, 2008).

whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.”<sup>74</sup>

First, a court will look at the extent to which the non-moving party would be prejudiced in delaying the litigation. In certain instances, the district court will mitigate any potential harm 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.”<sup>75</sup>

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, 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. 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.<sup>76</sup>

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.

Additionally, timing of when to request a stay of a co-pending litigation is an important consideration. Should the patent challenger file the stay motion after the reexamination is granted or wait until the first office action issues?<sup>77</sup>

Many judges are now considering the possible length of a reexamination proceeding when determining whether to stay a litigation<sup>78</sup>. Consider this extreme example of a litigation stayed pending an *inter partes* reexamination: In July 2002, Harry Shannon filed an *inter partes* reexamination request (Control No. 95/000,005) challenging the validity of patent asserted in a patent infringement litigation in the Middle District of Florida (*Enpat, Inc. v. Shannon, et al*, 6:02-cv-00769). In September 2002, the District Court stayed the litigation pending a final decision on the validity of the claims by the PTO. In the reexamination proceeding, the right of appeal notice was

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<sup>74</sup> *Soverain Software LLC v. Amazon.com*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005).

<sup>75</sup> *See Datatrans Corp. v. Wells Fargo & Co.*, 490 F. Supp. 2d 749, 754 (E.D. Tex. 2006).

<sup>76</sup> *See id.* at 755 (considering that “the statistics reveal that most reexaminations result in claim amendments or cancellations”).

<sup>77</sup> Add discussion of recent cases denying stay motion filed when reexamination request filed and subsequently bounced.

<sup>78</sup> *See* Order Denying Sun Microsystems, Inc.’s Renewed Motion For Partial Stay, *Network Appliance, Inc. v. Sun Microsystems, Inc.*, C-07-06053 (ND CA)(citing the [Sedona Conference paper entitled Reexamination Practice with Concurrent District or USITC Patent Litigation](#) in support of the denial of the stay).

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.

If a party is successful in obtaining a stay in the district court litigation pending outcome of a reexamination proceeding, that fact should immediately 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 6 weeks of filing and “all aspects of the proceeding will be expedited to the extent possible.” MPEP § 2686.04. It is therefore critical for parties to keep the CRU informed of the status of the concurrent litigation.

Stays are also technically available in reexaminations. Unlike the district courts, however, the PTO does not have an unfettered ability to control its docket. The rules provide the ability for the patent owner to request a stay. *See* 37 C.F.R. §§1.565(b) and 1.987. 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.<sup>79</sup> 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

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<sup>79</sup> The PTO found good cause to grant a stay of *inter partes* reexamination 95/000,093 and 95/000,094. The PTO argued that “there was a strong possibility that the Federal Circuit’s decision would estop the Office from issuing any decisions at all. In short, requester could not have it both ways. Requester waited three years after the district court case began, and waited until after the District Court issued a final decision, such that its District Court litigation could in no way be affected by any decision on its reexamination requests. Requester’s delay was the reasons that the ‘093 and ‘094 reexaminations could very well be mooted before any reexamination decision issued and the USPTO Director found ‘good cause’ to suspend the proceeding.” MPEP § 2687. The U.S. District Court upheld the PTO’s finding of “good cause” to suspend these proceedings. *Sony Computer Entertainment America, Inc. v. Dudas*, 85 USPQ2d 1594 (E.D. Va 2006).

court may review the BPAI decision first. For instance, *In re Translogic*,<sup>80</sup> the Federal Circuit was presented in an appeal from a district court decision and from the BPAI on the same patent. In the district court decision, a jury awarded over \$85 million for Hitachi's infringement of its patent. In a parallel decision, the BPAI found Translogic's 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 patents 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.<sup>81</sup> 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 will likely 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.

Should a judge deciding on a pending stay motion or presiding over a concurrent litigation stayed pending a reexamination call the Examiner or CRU? To date, the CRU has no record of a federal judge contacting the PTO to discuss a pending reexamination. However, some commentators argue that the ability to contact the CRU when deciding on a stay motion would be a valuable tool to a judge deciding on 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 to strictly procedural details or as fellow government officials should judges be provided less restrictive communication?

### **C. *Impact on Trial***<sup>82</sup>

Can the existence of or developments in the reexamination proceeding, such as a final rejection of the claim(s) in suit, be brought to the attention of the jury, or is this inadmissible because it is too prejudicial?<sup>83</sup> What about a decision by the BPAI? What if

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<sup>80</sup> *In re Translogic*, 504 F.3d 1249 (Fed. Cir. 2007); *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 Fed. Appx. 988 (Fed. Cir. 2007).

<sup>81</sup> For example, it has been reported that the Eastern District of Texas has granted only 23% of the stay motions based on co-pending reexaminations filed since 1999. See Joseph Rosenbloom, *The Reexamination Gamble*, IP Law & BUSINESS July 2008, available at <http://iplawandbusiness.law.com/display.php/file=/texts/0708/reexam>. On the other hand, Judge Sleet of the U.S. District Court in Wilmington Delaware has reportedly granted 8 of 10 stays based on co-pending reexaminations since 1999. *Id.*

<sup>82</sup> This is a "hot topic" based on discussions with many top trial counsel. While it is still antidotal, 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 your feedback on this topic.

<sup>83</sup> One patent litigator shared 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

the claim(s) survive reexamination at the CRU? What if the claims are amended? Does this make reexaminations more attractive in bench trials?

The possibility that unexpected developments in the reexamination could be admissible at trial has been the basis for some trial counsel choosing not to seek reexamination even when there is strong prior art.<sup>84</sup> Such counsel fear that the jury will learn that the claims in suit have survived attack in the reexamination even if that only involves the first office action at the CRU. This fear has also prompted some counsel not to seek reexamination until after a Markman order or after the jury verdict.

On the flip side, 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 of upholding the validity of patents.<sup>85</sup>

#### ***D. Damages***

Official PTO statistics (provided below) indicate that approximately two-thirds of patents that emerge from reexamination result in some change to their claims. Ten percent of claims are canceled outright.<sup>86</sup> Where claims are substantively amended, the accused infringers may not be liable for past damages under intervening rights law. This can be crucial where the patent term is short or the accused infringers have clear and inexpensive design-around options.

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responsibility for this issue. In effect, the jury “punted” the invalidity issue. Assuming this jury research is reproducible, it further argues that the judge should be very concerned about the prejudicial impact on the jury of any information about the existence of or developments in the reexamination

<sup>84</sup> 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.

<sup>85</sup> The court of particular interest is the USDCT EDTX. The perception is that most of the judges in this “pro patent” court resent the intrusion of the reexamination process into their judicial proceeding. Thus, the concern is that if there is a “favorable” development in the CRU for the patent owner, that 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 very low likelihood that the judge will allow any developments in the reexamination to be brought to the attention of the jury because they need to be balanced on such admissibility determinations. As one trial counsel put it in opining that all developments in reexaminations will be excluded from the jury, is that the balanced approach of exclusion will be based on the adage of “what is good for the goose [patent owner], is good for the gander [third party requester]”.

<sup>86</sup> Some critics assert that there is insufficient granularity in these PTO stats to reflect situations where some but not all asserted claims are found to be invalid or are substantially amended.



More specifically, substantive amendments made during reexamination may defeat damages for past infringement under the statutory doctrine of intervening rights.<sup>87</sup> A patent owner cannot seek damages for claims that are not substantially identical to the original claims.<sup>88</sup> There is no *per se* rule for determining whether a claim is not “substantially identical.”<sup>89</sup> The analysis includes examining “the claims of the original and the reexamined patents in light of the particular facts, including prior art, the prosecution history, other claims, and any other pertinent information.”<sup>90</sup> The determination is a legal one, and a claim is changed if its scope is changed.<sup>91</sup>

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

Accused infringers should consider the following CRU statistics as of September 30, 2008 for *ex parte* reexaminations and December 31, 2008 for *inter partes* reexaminations:

- 72% 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 28% survived with all claims being confirmed.<sup>92</sup>
- 70% of *inter partes* reexaminations completed resulted in all claims being canceled, while 91% resulted in some change to the claims. Only 9% survived with all claims being confirmed.<sup>93</sup>

A full set of current CRU statistics are included at the end of this paper.<sup>94</sup>

### ***E. 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

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<sup>87</sup> 35 U.S.C. §§ 252, 307(b), 316(b).

<sup>88</sup> *Bloom Eng'g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997).

<sup>89</sup> *Laitram Corp. v. NEC Corp.*, 952 F.2d 1357, 1358 (Fed. Cir. 1991).

<sup>90</sup> *Id.* at 1362-63.

<sup>91</sup> *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir. 1989).

<sup>92</sup> As of September 30, 2008, 6457 *ex parte* reexamination certificates have been issued by the PTO. This represents approximately 76% of all *ex parte* reexaminations granted. Recall that *ex parte* reexaminations may also be initiated by request of the patent owner or the PTO Director.

<sup>93</sup> As of December 31, 2008, only 44 *inter partes* reexamination certificates have been issued. This represents approximately 10% of all reexamination requests granted by the PTO.

<sup>94</sup> The PTO updates these statistics quarterly. See <http://www.uspto.gov/web/patents/cru.html>.

consider all of the prior art in the litigation and to present arguments and declarations that support patentability of the claims over this prior art. This could include, for instance, possible secondary (objective) considerations of non-obviousness that were not present when the claims were originally prosecuted.

An *ex parte* reexamination may also give the patent owner a significant advantage in dealing with the prior art because, once begun, the third party requester is excluded from the process, while the patent owner can interview the examiner. Although the court can find a patent invalid even if it survives reexamination, most judges will likely defer to the presumed administrative expertise of the PTO, CRU, and BPAI.

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

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

#### ***F. 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 will ultimately be determined by the requester's overall goals.

Early filing should be considered where the goal is to stay a more costly district court litigation until the validity of the asserted patent is adjudged by the PTO. Most courts will not consider staying the litigation until at least a first office action rejection is received. Statistics indicate that the issuance of the first office action could be a year or more after the request is granted and a filing date is accorded in an *ex parte* reexamination request. In an *inter partes* reexamination, the rules state that “[t]he order for *inter partes* reexamination will usually be accompanied by the initial Office action on the merits of the reexamination.”<sup>95</sup> In the authors' experience, however, this is not always the case, particularly with the increased popularity of *inter partes* reexaminations in the past two years.

Early filing is also highly recommended where the reexamination is launched as an insurance policy against an adverse district court decision. Overall, at least 2 years are

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<sup>95</sup> 37 C.F.R. § 1.935.

typically necessary for a final decision from the CRU<sup>96</sup>—waiting too long to file a request could reduce the effectiveness of such a strategy. For such strategy, keeping tabs on the trial date is a must.

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

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

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

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

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

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<sup>96</sup> The CRU has indicated an internal goal of 24 months from instituting the *inter partes* reexamination request to final office action.

One additional consideration was raised in a recent Federal Circuit decision where a party attempted to obtain relief from a final judgment under FRCP 60(b)(6) based on alleged disclaimers made during post-trial reexamination.<sup>97</sup> In this case, the accused infringer waited until the district court's entry of judgment to file its reexamination request. The reexamination had progressed to a point where the patent owner had to respond to an office action rejection. In that response, the patent owner allegedly made "representations to the [PTO]" the "limited the scope" of one of the accused claims.<sup>98</sup> The district court denied the Rule 60(b)(6) motion stating that the accused infringer "waited until after judgment in this case to file its Petition for Reexamination, while simultaneously failing to appeal the jury's finding of validity."<sup>99</sup> Because Rule 60 motions are reviewed under an abuse of discretion standard and typically require "extraordinary circumstances," the Federal Circuit affirmed the decision.

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

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

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

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

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<sup>97</sup> *Amado v. Microsoft Corp.*, 517 F.3d 1353 (Fed. Cir. 2008)

<sup>98</sup> *Id.* at 1363.

<sup>99</sup> *Id.*

motion to stay a litigation on the eve of trial.<sup>100</sup> The ability to file subsequent reexamination requests may be an important tool in an overall *ex parte* reexamination strategy and relinquishing that ability should be carefully considered.

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

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

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

*Id.*

When faced with the specter of multiple reexamination requests, a patent owner may consider filing a petition with the PTO arguing that subsequent reexamination requests are being filed for the purposes of harassment or to delay prosecution of a pending request.<sup>101</sup> If the prior art provided in the subsequent request unquestionably presents a new SNQ, the petition may not have a high likelihood of success. However, when coupled with an argument that the SNQs in the subsequent reexamination requests are cumulative, these petitions may be successful. This should also be a consideration when determining whether to file multiple reexamination requests.

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<sup>100</sup> See *Visto Corp. v. Research in Motion Ltd.*, No. 2-06CV-181 (E.D. Tex. complaint filed Apr. 28, 2006).

<sup>101</sup> See MPEP § 2240.

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

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

Should an accused infringer withhold prior art from a reexamination request? If the reexamination request was an *ex parte* request, such art could become the basis for subsequent reexamination requests, if necessary and non-cumulative. If the reexamination request was an *inter partes* request, the withheld art may still be available for use at trial. Estoppel does not attach to the withheld [or applied] art until a final decision is reached in the *inter partes* reexamination proceeding.<sup>102</sup> 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.

Further, the trial team may be subject to the PTO’s duty of disclosure requirements, as discussed above.<sup>103</sup> If the withheld art was disclosed during the litigation, for example as part of the accused infringer’s invalidity contentions, then the patent owner or the patent owner’s reexamination team may have the ability, or indeed the duty, to submit that withheld art and have it considered during the reexamination. One question to consider is whether the litigation team’s knowledge of material prior art could be imputed to a patent owner. In short, many traps exist for the unwary, and patent owners must take care to avoid conduct that could result in inequitable conduct charges.

### ***2. Experts’ independence***

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

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

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<sup>102</sup> 35 U.S.C. § 317(b).

<sup>103</sup> See 37 C.F.R. §§ 1.555, 1.933; see also § II.A.3., *supra*.

### 3. *Privilege issues*

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

If a party thinks information must be disclosed, the protective order should specify procedure for the parties to “meet and confer” to resolve any disclosure issues. If parties cannot agree, then the issue may need to be raised to the presiding judge. One way to protect information that a party feels must be disclosed, but is designated under the protective order, is filing the information under seal at the PTO with a petition to expunge at the conclusion of the proceeding.<sup>104</sup> The PTO specifies detailed procedures for filing information under seal in pending applications. The information to be protected is submitted in a labeled, sealed envelope. A petition to expunge the information accompanies the sealed documents. The envelopes are not opened by the examiner until a decision to issue a reexamination certificate has been reached. 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. Therefore, the court and the party owning the confidential information should be involved in the decision to disclose and how the disclosure is made to the PTO.

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

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

ITC patent actions are notoriously fast and bear some special attention. As most readers are aware, ITC investigations proceed more quickly than district court actions. Some reports indicate that an ITC investigation is generally completed within 15 months, whereas the average patent litigation in district court takes approximately 22 months.<sup>105</sup>

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<sup>104</sup> See MPEP §§ 724.04 - 724.06.

<sup>105</sup> See Vivek Koppikar, *Evaluating the International Trade Commission’s Section 337 Investigation*, 86 J. PAT. & TRADEMARK OFF. SOC’Y 432, 433 (2004).

In the past, the speed with which the ITC had to proceed was strictly mandated by statute. Since the statute was amended in 1994, the ITC now must “conclude any such investigation and make its determination under this section at the *earliest practicable time* after the date of publication of notice of such investigation.”<sup>106</sup>

Due to this statutory mandate for a swift investigation, it should not be surprising that the ITC is hesitant to stay its investigations. One recent ITC case confirms the ITC’s reluctance. In this case, the presiding administrative law judge (“ALJ”) granted a stay pending reexamination of the patents-in-suit.<sup>107</sup> On appeal to the Commission, the stay was rejected, and proceedings were reinstated. The defendant petitioned the Federal Circuit for a *writ of mandamus* that the stay be reinstated. The Federal Circuit refused to reinstate the stay, finding that the Commission had justified its action and that hardship, inconvenience, and avoidance of a particularly complex trial are not sufficient reasons to grant *mandamus*.

At the same time, however, the ITC has not adopted any *per se* rule regarding staying an investigation in light of a concurrent reexamination at the PTO. Rather, the ALJ will weigh several factors, including: (1) the stage of discovery and the hearing date; (2) the issues in question and trial of the case; (3) the undue prejudice or clear tactical disadvantage of any party; (4) the stage of the reexamination at the PTO; (5) the efficient use of ITC resources; and (6) the availability of alternative remedies in federal court.<sup>108</sup> In certain instances, the ALJ will extend the target date for completion of the investigation in view of a concurrent reexamination proceeding.

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

## 5. *Cases with multiple defendants*

In cases with multiple accused infringers, how should a patent owner deal with reexamination threats by a single defendant, or a plurality of defendants? For the multiple defendants contemplating a reexamination strategy, what if the defendants are not of a single mind when it comes to reexamination strategy? Should reexamination be explicitly dealt with in any joint defense agreement? Again, any reexamination request

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<sup>106</sup> 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.”).

<sup>107</sup> *In re Freescale Semiconductor, Inc.*, Misc. No. 875, 2008 WL 2951399 (Fed. Cir. June 25, 2008) (non-precedential) (order denying “petition for a writ of mandamus to direct the [ITC] to vacate its opinion denying petitioner’s motion for stay pending reexamination of the patents at issue” in Investigation No. 337-TA-605).

<sup>108</sup> *In re Certain Personal Computer/Consumer Electronic Convergent Devices, Components Thereof and Products Containing Same*, Inv. No. 337-YA-558, ALJ Order No. 6, 2006 ITC Lexis 52, at \*12-\*22 (U.S.I.T.C. Feb. 7, 2006) (order granting temporary stay) .



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

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

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

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

Historically, many district court judges viewed reexaminations, particularly *ex parte* reexaminations, with disbelief and have been reluctant to grant stays especially if their court operates on a “fast track.” More recently at Sedona discussions, some judges have expressed the view that they may rethink their approach in the future now that the CRU has been created and the PTO statistics seem to indicate prompt processing of reexaminations and a high probability of the reexamination resulting in some or all of the claims being found unpatentable. However, other judges are troubled by the time delay of reexaminations.<sup>109</sup> Litigants thus should pay special attention in the court filings relating to stays to explain the current reexamination environment.

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

Do reexamination proceedings or the issuance of a reexamination certificate have any impact on the six-year statutory laches provisions of 35 U.S.C. § 286. A recent decision by the Federal Circuit seems to indicate that a reexamination certificate will not restart or impact the six-year laches presumption for enforcing an issued patent.<sup>110</sup>

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<sup>109</sup> See Order Denying Sun Microsystem, Inc.’s Renewed Motion For Partial Stay in *Network Appliance Inc. v. Sun Microsystems, Inc.*, United States District Court for Northern District of California (C-07-06053), issued November 4, 2008, (citing Sedona PL08 version of this paper).

<sup>110</sup> See *Serdarevic v. Advanced Med. Optics, Inc.*, 87 U.S.P.Q.2d 1481, 1484-85 (Fed. Cir. 2008) (holding that the presumption of laches applied against inventorship claim despite intervening reexamination proceeding).

#### **IV. 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.<sup>111</sup>

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

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

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

The SNQ must be based on prior patents and/or printed publications.<sup>112</sup> Other patentability issues, such as prior public use or insufficiency of the disclosure, will not be considered for instituting a reexamination.

The PTO will only reexamine those claims for which a SNQ is alleged and found. The PTO will consider an undated document if it is accompanied by reliable evidence, such as an affidavit or deposition transcripts, supporting an asserted publication date. Where a reference originated with the patent owner, the CRU might consider issuing a

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<sup>111</sup> Other practitioners and commentators have provided summaries of the mechanics of reexamination practice. See, e.g., J. Steven Baughman, *Reexamining Reexaminations: A Fresh Look at the Ex Parte and Inter Partes Mechanisms for Reviewing Issued Patents*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 349, 360 (2007); Roger Shang & Yar Chaikovsky, *Inter Partes Reexamination of Patents: An Empirical Evaluation*, 15 *Tex. Intell. Prop. L.J.* 1 (2006); Sherry M. Knowles, et al., *Inter Partes Patent Reexamination in the United States*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 611 (2004).

<sup>112</sup> 37 C.F.R. §§ 1.510(b)(1), 1.915(b)(3).

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 an SNQ, and claim rejections, can be based solely on previously cited/considered “old” prior art, or in combination with other prior art.<sup>113</sup>

The request must also include an identification of every claim for which reexamination is requested, and a detailed explanation of the pertinence and manner of applying each of the cited prior art to every claim for which reexamination is requested.<sup>114</sup> Failure to address each submitted reference in the detailed request will result in a denial of a filing date.

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

The filing date of the reexamination request starts the two-year period in which the PTO strives to issue a final office action or otherwise conclude the reexamination proceeding. The CRU and its staff are known to be hyper-technical in reviewing reexamination requests. Any procedural defects will cause the reexamination request to be rejected. We recommend close adherence to the guidelines outlined in the MPEP and to the rules in the C.F.R. We also recommend obtaining publicly available requests that have been successful to use as a template.

### **C. Ex Parte Reexamination**

*Ex parte* reexamination can be requested by a patent owner or any third party requester at any time during the enforceability of a patent.<sup>115</sup> Subsequent requests for *ex parte* reexamination by a third party requester are permitted, provided the prior art raising the new SNQ is not cumulative to prior art previously considered. Co-pending reexamination proceedings may be merged.<sup>116</sup> The patent owner is not permitted to broaden the scope of claims during *ex parte* reexamination.<sup>117</sup> A third party requester can petition the PTO Director to review a determination refusing *ex parte* reexamination.<sup>118</sup> The Director’s decision on the petition is non-appealable, but can be challenged via a district court action.

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<sup>113</sup> MPEP §§ 2242(II)(A), 2258.01(A).

<sup>114</sup> *Id.* §§ 1.510(b)(2), 1.915(b)(3).

<sup>115</sup> 35 U.S.C. § 302; 37 C.F.R. § 1.510.

<sup>116</sup> 37 C.F.R. § 1.565.

<sup>117</sup> *Id.* § 1.552(b).

<sup>118</sup> *Id.* § 1.515(c).

In response to a grant of *ex parte* reexamination, the patent owner is entitled to file a statement on the new question of patentability, including any proposed amendments the patent owner wishes to make.<sup>119</sup> Where the *ex parte* reexamination was requested by a third party, the third party is entitled to respond to the patent owner's statement.<sup>120</sup> This may be one reason why patent owners rarely submit a statement prior to receipt of an office action.

The patent owner is entitled to appeal to the BPAI and to the Federal Circuit with respect to any decision adverse to the patentability of any original, proposed amended, or new claim of the patent.<sup>121</sup>

#### **D. Director-Initiated Ex Parte Reexamination**

The PTO Director can institute *ex parte* reexaminations *sua sponte*.<sup>122</sup> Under current PTO practice, the Director can institute a reexamination only upon a finding that a patent brings disrepute on the PTO or that a significant procedural error occurred during examination. For example, where a patent examiner failed to consider references submitted in an information disclosure statement during the examination process, despite numerous requests from the applicant, the PTO may independently determine whether the references raise a SNQ. Since the creation of the CRU, however, the use of Director-initiated *ex parte* reexaminations has ceased based on the belief that the affected public can assume the burden of policing patents that are adverse to them.

#### **E. Inter Partes Reexamination**

##### **1. Generally**

*Inter partes* reexamination can be requested by any party other than the patent owner and its privies, at any time during the period of enforceability of a patent.<sup>123</sup> *Inter partes* reexamination is only available for patents that issued from an original application filed in the United States on or after November 29, 1999.<sup>124</sup> Until recently, the meaning of "an original application" was not fully settled. The issue was whether an *inter partes* reexamination can be filed on a patent from a continuation application having a filing date on or after November 29, 1999, but which claims priority to a filing before November 29, 1999. The PTO's position was that "an original application" includes any application with an actual filing date on or after November 29, 1999, regardless of whether that application claimed priority to an application filed before that date. The PTO's interpretation was upheld in district court<sup>125</sup> and was subsequently affirmed by the

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<sup>119</sup> *Id.* § 1.530.

<sup>120</sup> *Id.* § 1.535.

<sup>121</sup> 35 U.S.C. § 306.

<sup>122</sup> 35 U.S.C. § 303; 37 C.F.R. § 1.520.

<sup>123</sup> 37 C.F.R. § 1.913.

<sup>124</sup> *Id.*

<sup>125</sup> *Cooper Techs. Co. v. Dudas*, 85 U.S.P.Q.2d 1465 (E.D. Va. 2007) (Brinkema, J.).

Federal Circuit in *Cooper Techs. Co. v. Dudas*.<sup>126</sup> 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.

As with *ex parte* reexaminations, a third party requester can petition the Director to review a determination refusing *inter partes* reexamination. The Director's decision of the petition is non-appealable.<sup>127</sup>

A patent owner is entitled to appeal to the BPAI and to the Federal Circuit with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.<sup>128</sup> A third party requester is entitled to appeal to the BPAI and to the Federal Circuit with respect to any *final* decision favorable to the patentability of any original or proposed amended or new claim of the patent.<sup>129</sup>

## 2. *Estoppels in inter partes reexamination*

A third party cannot argue invalidity in a civil patent action on any ground that was or could have been raised in a prior *inter partes* reexamination requested by the third party. The third party is not, however, precluded from asserting invalidity based on newly discovered art that was unavailable to the third party requester and the PTO at the time of the *inter partes* reexamination.<sup>130</sup> Similarly, a third party cannot request *inter partes* reexamination on the basis of issues that the third party raised or could have raised in a prior civil patent action.<sup>131</sup>

Once a request for *inter partes* reexamination has been granted, the third party requester cannot file a subsequent request for *inter partes* reexamination while the prior *inter partes* reexamination is pending.<sup>132</sup> Once a final decision is granted favorable to patentability of any original, proposed amended, or new claim, the third party requester cannot thereafter request *inter partes* reexamination of such claim on the basis of issues that the third party raised or could have raised in the prior *inter partes* reexamination.<sup>133</sup>

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

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<sup>126</sup> See *Cooper Techs. Co. v. Dudas*, No. 2008-1130, slip op. at 2-7 (Fed. Cir. Aug. 19, 2008).

<sup>127</sup> 37 C.F.R. § 1.927.

<sup>128</sup> 35 U.S.C. § 315(a).

<sup>129</sup> *Id.* § 315(b).

<sup>130</sup> *Id.* § 315(c).

<sup>131</sup> 37 C.F.R. § 1.907(b).

<sup>132</sup> *Id.* § 1.907(a).

<sup>133</sup> *Id.* § 1.907(c).

a response by the patent owner, or if it became known or available after filing the request.<sup>134</sup>

#### ***F. Mergers of Co-Pending Reissue Applications and Reexaminations***

The authors are aware of situations where a patent owner has, upon being subjected to a reexamination request, proceeded to file a reissue application.<sup>135</sup> It is also not unusual for a patent owner to file a reissue application in advance of a lawsuit to clear up any errors or to put a claim set in better condition for litigation. If the reissue request is filed within the two years of the issue date of the patent, a broadening reissue request is available.<sup>136</sup> While a patent owner may not broaden claims during reexamination, a broadening reissue application may preserve that right.

Where a reissue application and a reexamination are co-pending, the PTO may merge the proceedings or suspend one of the two proceedings.<sup>137</sup> It is the general policy of the PTO that the two proceedings will not be allowed to proceed simultaneously without merger or suspension of one or the other.<sup>138</sup> The reason for the policy is to permit timely resolution of both the reissue and the reexamination, and to prevent inconsistent and possibly conflicting amendments. Therefore, even if the parties do not make a specific petition for merger or suspension, the PTO will take action *sua sponte* to prevent parallel proceedings.<sup>139</sup> Because of the statutory mandate to treat reexaminations with “special dispatch,”<sup>140</sup> 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.

The determination to merge or suspend is made by the OPLA, and the decision is made on a case-by-case basis.<sup>141</sup> 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

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<sup>134</sup> *Id.* § 1.948.

<sup>135</sup> See Reissue application no. 11/513,425 and *inter partes* reexamination control no. 95/000,155.

<sup>136</sup> See 35 U.S.C. § 251.

<sup>137</sup> 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.

<sup>138</sup> MPEP § 2686.03.

<sup>139</sup> 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.

<sup>140</sup> 35 U.S.C. §§ 305, 314(c).

<sup>141</sup> *In re Allan*, 71 U.S.P.Q.2d 1751 (Com’r Pat. & Trademarks Apr. 26, 2004) (non-precedential).

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

Where the merger is with an *inter partes* reexamination, the OPLA's merger order strictly limits the third party requestor's participation to those issues unique to the reexamination. For example, third party requestors 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.

## ***V. Central Reexamination Unit (CRU) Improves Quality and Reduces Pendency***

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

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

In 2006, the CRU included 31 patent examiners, 3 supervisory patent examiners, and 10 support staff. When Mr. Morse took over in June 2008, the CRU ranks had grown to a total of 53 patent examiners with 10 in the biological/chemical group, 12 in the mechanical arts, and 31 in the electrical arts. There are now 4 supervisors, while the clerical staff remains at 10. An announcement has been made that the CRU is looking for 7 additional examiners, mostly in the electrical arts. In short, the CRU continues to grow in response to increased use of reexaminations as a viable post-grant vehicle to challenge patent validity.

The examiners in the CRU are selected from the ranks of the PTO examiner corps and have an average of approximately 17 years of examining experience. Many of the CRU examiners also have advanced technical degrees and/or law degrees. The CRU examiners are evaluated on work quality and workflow, not on production quotas as is the case with the regular examiner corps. Assignment to the CRU is recognized throughout the PTO as professional advancement; morale throughout the CRU is high, and turnover is low.

By statutory mandate, reexaminations are handled with "special dispatch."<sup>142</sup> Preparation of each office action involves two patent examiners and one supervisory patent examiner. One of the patent examiners prepares the office action. The second patent examiner and the supervisory patent examiner review the office action before the office action is mailed. The three examiners confer to resolve any disagreements. The

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<sup>142</sup> 35 U.S.C. § 305.

assigned examiners do not include an examiner who examined the original patent application.

### ***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. In the past, a SNQ for even a single claim would typically trigger the reexamination of all claims.

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

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

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

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

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

Substantial discussion exists among reexamination experts about ways the current reexamination process can be improved. While the topics discussed below are not meant



to be exhaustive, the ones presented are “hot button” issues and deserve immediate and special attention.

### ***1. Extensions of Time***

In reexamination proceedings, deadlines for filing responses or third party papers are generally extremely short, particularly in cases involving a concurrent litigation. However, the PTO is cognizant that a patent owner must be provided with a fair opportunity to present an argument against any attack on the patent<sup>143</sup> and has granted requests for extension of time in a number of cases. If a patent owner is faced with an action presenting extensive and complex rejections or an action requiring development of factual affidavits, the patent owner should consider filing a request for an extension of time. Such a request should be detailed and provide sufficient cause to justify the extension. When deciding such requests, the PTO must balance the interest of the parties against the statutory mandate that reexaminations be conducted with special dispatch.

The *inter partes* reexamination rules allow for the patent owner to request an extension of time to reply to an Office Action (or any action) for sufficient cause.<sup>144</sup> However, the rules explicitly prohibit the third party for receiving an extension of time for submitting written comments to the patent owner’s Office Action response<sup>145</sup>. Many practitioners argue that this rule is unfair to the third party requester, particularly in cases where the patent owner has received an increase in the page limits 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 as 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 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

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<sup>143</sup> See MPEP §§ 2265 and 2665.

<sup>144</sup> 37 C.F.R. § 1.956.

<sup>145</sup> 37 C.F.R. § 1.947.

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 presenting 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.

### 3. *Adopt an “Interference-type” Approach*

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

#### E. *CRU Criticisms*

Some practitioners have nicknamed the CRU as the “Central Rejection Unit.” Is there any practical truth to this moniker?<sup>146</sup> With the much greater resources devoted to the reexamination process by the CRU, coupled with the impact of *KSR* in terms of how printed publications and patents will be treated by the CRU, and in *inter partes* reexaminations the presence of the third party requester throughout the process, speculation abounds that the chance of a claim surviving the reexamination process is becoming less and less as time goes on. Is this speculation correct in practice?

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

Moreover, critics contend that the CRU tends to “rubber stamp” the reexamination request filed by the requestor in *inter partes* proceedings and that the first office action almost always rejects all of the claims. Some contend that this improperly

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<sup>146</sup> Some people argue that the reexamination issued by the PTO support this nickname. For example, as of September 30, 2008, the PTO has granted 8467 *ex parte* reexamination requests. Of the granted requests, only 1264 *ex parte* reexaminations have resulted in confirmation of all claims. As of December 31, 2008, the PTO has granted 439 *inter partes* reexamination requests. Of the granted requests, only 4 *inter partes* reexaminations have resulted in confirmation of all claims. Assuming that Office Actions have not issued in a percentage of the recently filed reexaminations, these statistics lead to the conclusion that the PTO has issued rejections in approximately 80% or more of the *ex parte* reexaminations and in approximately 95% or more of the *inter partes* reexaminations. Additionally, approximately 70% of *inter partes* reexaminations receive a first Office Action on the same day that the reexamination is ordered. See Reexamining Inter Partes Reexam, *Institute for Progress* (April 2008).

shifts the presumption to the patent owner that the claims are *prima facie* invalid. They also contend that the patent owner essentially only has the response to the first office action to put forth evidence of non-obvious and that trying “to prove a negative” is daunting at best, and a practical impossibility at worst. Critics argue that this approach subverts the constitutional basis for patents.

Finally, some critics contend that the PTO is pressuring the CRU to be very negative towards claims in reexamination to mollify powerful political forces at work. Those political forces seek to weaken valuable patent rights owned by non-practicing entities, which happen to encompass entities such as universities and R&D innovation companies. Some perceive that these entities are being ganged up on and attacked unfairly in the courts.

#### ***F. Practitioner Criticisms***

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

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

#### ***VI. Reexamination Statistics***

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

The review of the requests shows that 128 *inter partes* reexamination requests were made involving 94 unique patent owners. There were 531 *ex parte* reexamination requests involving 351 unique patent owners. For *inter partes* reexaminations, the unique patent owners included 106 U.S.-based companies and 7 Japanese companies, with the remainder of the patent owners based in 11 other countries. For *ex parte* reexaminations, the unique patent owners included 431 U.S.-based companies and 34 Japanese companies, with the remainder of the patent owners based in 21 other countries.

The technologies involved were similarly diverse. The *inter partes* reexamination requests involved 67 different technology classes with the top ten technology classes representing nearly 44% of the total number of classes within *inter partes* reexamination requests. The technology classes with the most *inter partes* reexamination requests were

“Data processing: database and file management or data structures,” “Data Processing: financial, business practice, management, or cost/price determination,” and “Surgery.” Each of these classes had 8 *inter partes* reexamination requests. The *ex parte* reexamination requests involved 165 different technology classes with the top ten technology classes representing 35% of the total number of classes. The top three technology classes with the most *ex parte* reexamination requests were “Surgery” (38), “Electrical computers and digital processing systems: multicomputer data transferring” (34), and “Chemistry: molecular biology and microbiology” (19).

Attached are the most recent reexamination statistics from the PTO (dated September 30, 2008).

## **2008 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 - September 30, 2008

Table with 5 main categories: 1. Total requests filed since start of ex partes reexam on 07/01/81 (9585 total); 2. Number of filings by discipline (Chemical, Electrical, Mechanical, Design); 3. Annual Ex Parte Reexam Filings (1981-2008); 4. Number known to be in litigation (2849); 5. Decisions on requests (9219 total, 8467 granted, 752 denied).

1Of the requests received in FY 2008, 7 requests have not yet been accorded a filing date, and preprocessing of 15 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 reserved by Director).....			830	
	a. Patent owner requester		441	53%	
	b. Third party requester		389	47%	
7.	Overall reexamination pendency (Filing date to certificate issue date)				
	a. Average pendency		24.5 (mos.)		
	b. Median pendency		19.0 (mos.)		
8.	Reexam certificate claim analysis:	Owner	3 <sup>rd</sup> Party	Comm'r	
		<u>Requester</u>	<u>Requester</u>	<u>Initiated</u>	<u>Overall</u>
	a. All claims confirmed	22%	28%	12%	25%
	b. All claims cancelled	8%	13%	21%	11%
	c. Claims changes	70%	59%	67%	64%
9.	Total ex parte reexamination certificates issued (1981 – present) .....			6457	
	a. Certificates with all claims confirmed		1624	25%	
	b. Certificates with all claims canceled		721	11%	
	c. Certificates with claims changes		4112	64%	
10.	Reexam claim analysis – requester is patent owner or 3 <sup>rd</sup> party; or Comm'r initiated.				
	a. Certificates – PATENT OWNER REQUESTER .....			2722	
	(1) All claims confirmed		611	22%	
	(2) All claims canceled		214	8%	
	(3) Claim changes		1897	70%	
	b. Certificates – 3 <sup>rd</sup> PARTY REQUESTER .....			3588	
	(1) All claims confirmed		995	28%	
	(2) All claims canceled		476	13%	
	(3) Claim changes		2117	59%	
	c. Certificates – COMM'R INITIATED REEXAM .....			147	
	(1) All claims confirmed		18	12%	
	(2) All claims canceled		31	21%	
	(3) Claim changes		98	67%	



# 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](http://www.uspto.gov)

## Inter Partes Reexamination Filing Data - December 31, 2008

1.	Total requests filed since start of <i>inter partes</i> reexam on 11/29/99.....	544 <sup>1</sup>	
2.	Number of filings by discipline		
	a. Chemical Operation	119	22%
	b. Electrical Operation	215	39%
	c. Mechanical Operation	199	37%
	d. Design Patents	11	2%
3.	Annual Re-exam Filings		
	Fiscal Yr.   No.       Fiscal Yr.   No.       Fiscal Yr.   No.       Fiscal Yr.   No.		
	2000       0       2003       21       2006       70       2009       68 YTD		
	2001       1       2004       27       2007       126		
	2002       4       2005       59       2008       168		
4.	Number known to be in litigation.....	337	62%
5.	Decisions on requests .....	465	
	a. No. granted.....	439	94%
	(1) By examiner	439	
	(2) By Director (on petition)	0	
	b. No. not granted.....	26	6%
	(1) By examiner	23	
	(2) Reexam vacated	3	
6.	Overall reexamination pendency (Filing date to certificate issue date)		
	a. Average pendency	34.9 (mos.)	
	b. Median pendency	32.5 (mos.)	
7.	Total <i>inter partes</i> r-examination certificates issued (1999 - present).....	44	
	a. Certificates with all claims confirmed	4	9%
	b. Certificates with all claims canceled (or disclaimed)	31	70%
	c. Certificates with claims changes	9	21%

<sup>1</sup>Of the requests received in FY 2009, 4 requests have not yet been accorded a filing date, and 1 request 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).



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