

# REEXAMINATION PRACTICE WITH CONCURRENT DISTRICT COURT PATENT LITIGATION

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# Reexamination Practice with Concurrent District Court Patent Litigation

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## I. Introduction<sup>2</sup>

This paper addresses the interface between patent litigation in the federal courts and reexamination proceedings involving the patent-in-suit at the United States Patent and Trademark Office. Celebrated cases such as the one involving the Blackberry wireless product, as well as the eBay case at the United States Supreme Court, have highlighted the critical interplay between these two worlds -- one of the Article III courts and the other of a U.S. Government administrative agency. These so-called "parallel universes" work with separate rules, time lines and results involving the same patent. As independent arbiters of patent validity, they each also pose a distinct set of challenges and risks.

For reasons discussed more fully below, patent reexamination continues to influence patent litigation and this influence is growing, especially if the option of *inter partes* reexamination is present. Through the efforts of its Central Reexamination Unit ("CRU"), the PTO has gone through great effort to make the current reexamination procedures a viable avenue for post-grant patent challenges, even while Congress mulls alternative post-grant proceedings. At the same time, the recent Supreme Court decision in *KSR v. Teleflex*,<sup>3</sup> appears to have cast serious doubt on the validity of many hundreds of thousands of issued patents. For these reasons, the Sedona Patent Litigation Conference 2007 has decided to continue its in-depth dialogue on how reexamination practice and other post-grant PTO proceedings fit with patent litigation. This paper repeats and reinforces many of the topics covered in the 2006 Sedona Conference on Patent Litigation as those topics continue to be highly relevant today. The authors have also updated the reexamination statistics coming from the CRU and have further tried to determine how the *KSR* decision could impact reexamination practice.

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<sup>1</sup> Sterne, Kessler, Goldstein and Fox, PLLC [www.skgf.com](http://www.skgf.com), Copyright 2007 SKGF, all rights reserved. This paper is a continuation of the paper presented during the Seventh Annual Sedona Conference on Patent Litigation, October 11-12, 2006 entitled "Integrating PTO Proceedings in Litigation Strategy" by Patrick E. Garrett, Robert Greene Sterne & Michael V. Messinger.

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

<sup>3</sup> *KSR Int'l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007).

## ***II. Issues for Consideration***

The following compilation of issues was raised by the authors, the Sedona Conference panelists, patent litigators, and prosecution specialists during Sedona Patent Litigation 2006. These "hot buttons" issues remain highly relevant in 2007 and are provided to aid critical decisions that need to be addressed to navigate the parallel worlds of PTO and district court proceedings involving the same patent rights.

### ***A. General PTO Prosecution Issues***

#### ***1. Protective Orders***

To what extent may the patent owner's trial team participate in prosecution of their 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, reexaminations of the patent owner's patents, or interferences involving the patent owner?

#### ***2. Privilege***

What is the risk of waiver of privilege when a PTO submission, prosecution event or meeting uses litigation work product or reveals trial strategy?

#### ***3. Staffing***

What are the pros and cons of using patent attorneys from the trial team, or prosecution attorneys from the litigating law firm versus using outside patent attorneys or patent attorneys inside the patent owner's company. Consider the critical issues of efficiencies, maintenance of privilege, and compliance with protective orders? Best practices may warrant use of outside patent attorneys separate from the litigating firm and the patent owner's company.

### ***B. Reexamination Issues***

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

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

## **2. *Multiple (ex parte) Reexamination Requests***

In what situations should multiple (ex parte) reexamination requests be considered? What impact might multiple or “rolling” reexamination requests have on the district court judge? Could multiple reexamination requests impact an already granted litigation stay?

## **3. *Withholding of Prior Art***

Should an accused infringer withhold prior art from a reexamination request, either for a potential subsequent reexamination request or for use at trial? As discussed below, some district court judges 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.

## **4. *Experts' Independence***

Should technical or legal experts have access to reexamination requests prior to preparing reports? Also, do experts have a role in preparing a reexamination request?

## **5. *Stays and Binding Reexamination***

Is there a growing trend in which judges stay trial proceedings upon consent of the parties to be bound by the outcome of reexamination proceedings? Or does this remain an Eastern District of Texas phenomenon?

## **6. *SNQ Prior Art Rejection and Inequitable Conduct***

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

## **7. *SNQ and KSR***

What impact will the recent Supreme Court decision in *KSR v. Teleflex* have on the requestors ability to meet the “substantial new question” of patentability standard? Does an SNQ of patentability automatically exist for any patentee who overcame a prior art rejection under 35 U.S.C. § 103(a)? How will the CRU deal with *KSR* in terms of the SNQ and the subsequent reexamination of the claims?

**8. *Fast Courts versus Slow Courts***

How might the perceived speed of a court affect a decision to file a request for reexamination? Since the average pendency of a reexam through the CRU, the BPAI and the Federal Circuit is 48 to 60 months, is the vehicle of reexam more suitable for a slow court?

**9. *Cases with Multiple Defendants***

In cases with multiple defendants, how should a plaintiff deal with reexamination threats by a single defendant, or a plurality of defendants? For the defendants, should reexamination be explicitly dealt with in the joint defense agreement?

**10. *Standard of Obviousness***

How has the outcome of the pending United States Supreme Court case, *KSR vs. Teleflex*, and more recent Federal Circuit decisions involving obviousness, effected reexamination practice?

**11. *Interplay Between Co-Pending Reissue Applications and Re-examination Proceedings***

The PTO may merge a reexamination proceeding with a reissue application. What are the advantages or disadvantages for the parties? What factors go into the PTO's calculus in determining when or whether to merge co-pending proceedings.

**12. *Staffing in Reexaminations – The Judge's Perception***

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?

**13. *Interplay Between the Court's Claim Construction and PTO Construction***

The claim construction by the court often will be different and usually narrower than that used by the USPTO. USPTO practice dictates that claims be given their broadest reasonable interpretation consistent with the specification and the PTO is not limited by the considerations adopted by the trial court.

**14. *Burden of Proof***

In the world of litigation patent claims enjoy a clear and convincing evidence presumption of validity. In contrast, there is no such evidentiary presumption for claims under reexamination before the PTO.

### **15. *Limiting Patent Damages***

Statistics indicate that approximately two-thirds of patents put through re-examination result in some change to their claims. Ten percent are canceled outright. Consider the impact on patent damages.

### **16. *Prosecution Headaches***

Restarting prosecution in re-examination (*ex parte* or *inter partes*) creates the real world specter of prosecution estoppels and inconsistencies that result in adverse impact on subsequent patent litigation.

### **17. *Admissibility of Events in the Reexamination to the Jury***

Can the existence of or developments in the reexam, such as a final rejection of the claim(s) in suit, be brought to the attention of the jury, or is this inadmissible because it is too prejudicial? What about a decision by the BPAI? What if the claim(s) survive reexamination at the CRU? Does this make reexaminations more attractive in bench trials?

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

With the much greater resources devoted to the reexam 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 through out 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?

## **III. *Advanced Reexamination Practice in View of District Court Litigation***

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

### **A. *General Tenets***

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

The PTO reexamines patents using the same standards that it uses for original examinations. There is thus no presumption of validity for claims during reexamination.<sup>4</sup>

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<sup>4</sup> *In re Etter*, 756 F.2d 852 (Fed. Cir. 1985).

Further, non-patentability of claims only requires a showing by a preponderance of evidence.<sup>5</sup> In U.S. district courts, on the other hand, patents enjoy a presumption of validity under 35 U.S.C. § 282. Under that standard, invalidity of claims requires a showing by clear and convincing evidence. In sum, therefore, it should be easier to invalidate claims in view of prior art in a reexamination proceeding than at trial.

**2. *Claim Construction is Different for Reexamination than in District Court.***

During reexamination proceedings, claims are construed with their broadest reasonable interpretation, consistent with the specification.<sup>6</sup> For this reason, a Markman order in district court litigation has absolutely no preclusive effect on the PTO and is not binding thereon.<sup>7</sup> A broad claim construction draws in more potential prior art.

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

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

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

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

As discussed in more detail below, the CRU is charged with conducting all reexaminations before the PTO. For the CRU to grant a reexamination request, the

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<sup>5</sup> *Xerox Corp. v. 3Com, Corp.*, 69 F.Supp.2d 404, 406-07 (W.D.N.Y. 1999).

<sup>6</sup> *In re Yamamoto*, 740 F.2d 1596, 1571 (Fed. Cir. 1984).

<sup>7</sup> *In re Trans Texas Holdings Corp.*, Docket No. 2006-1599, -1600, Slip. Op at 10-11 (Fed. Cir. August 22, 2007).

applicant must convince the CRU that there is substantial new question (“SNQ”) of patentability.<sup>8</sup> It is clear that the PTO views *KSR* as affecting a sea change to the obviousness calculus. Because the obviousness standard is retroactive, the practical reality is that an SNQ of patentability likely exists for nearly every issued patent that faced and overcame an obviousness rejection based on a combination of prior art references. This is especially true where the patent applicant relied on the old teaching-suggestion-motivation to combine test in overcoming the obviousness rejection.

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

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

#### **4. *KSR Has Also Impacted What the PTO Will Consider as Analogous Art.***

In *KSR*, the Supreme Court stated that “any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.”<sup>9</sup> Indeed, the Court stated that “familiar items may have obviousness uses beyond their primary purposes.”<sup>10</sup> These statements from *KSR* may also impact the world of available prior art available to an accused infringer contemplating reexamination because *KSR* appears to weaken arguments that the applied art is “non-analogous.”<sup>11</sup>

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<sup>8</sup> See 37 C.F.R. § 1.515.

<sup>9</sup> *KSR Int’l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1742 (2007).

<sup>10</sup> *Id.*

<sup>11</sup> See *In re Icon Health & Fitness, Inc.*, Docket No. 2006-1573 (Fed. Cir. August 1, 2007).



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

The PTO can invalidate patent claims that were previously declared not invalid by a U.S. Court. Thus, while the Office may accord deference to factual findings made by the court, the determination of whether a substantial new question of patentability exists will be made independently of the court's decision on validity, since the decision is not controlling on the Office.<sup>12</sup> A non-final holding of claim invalidity or unenforceability will also not be controlling on the question of whether a substantial new question of patentability is present. Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the Office. In such cases, a substantial new question of patentability would not be present as to the claims held invalid or unenforceable.<sup>13</sup> In other words, the PTO will not reexamine patent claims that were previously invalidated by a U.S. court.

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

A patent owner has a duty of disclosure during reexamination; the third party requestor does not. As a result, a patentee must take great care to fully disclose to the PTO all prior art that it has been made aware of as a result of the litigation, especially that art that was not used by the reexamination requestor. Failure to disclose to the PTO such prior art could result in a claim of inequitable conduct and could render the entire patent unenforceable, irrespective of whether the patent survives the reexamination proceedings.

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

**1. *Reexaminations May Affect Infringement Contentions.***

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

**2. *Reexamination May Affect Damages.***

Substantive amendments made during reexamination may defeat damages for past infringement by creating intervening rights.<sup>14</sup> A patent owner cannot seek damages for claims that are not substantially identical to the original claims.<sup>15</sup> There is no *per se* rule

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<sup>12</sup> *Ethicon v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988).

<sup>13</sup> See Manual of Patenting Examining and Procedure, § 2686.04.

<sup>14</sup> 35 U.S.C. § 307(b) and § 252.

<sup>15</sup> *Bloom Eng'g. Co. v. North American Mfg.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997).

for determining whether a claim is not “substantially identical.”<sup>16</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>17</sup> The determination is a legal one, and a claim is changed if its scope is changed.<sup>18</sup>

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

Accused infringers should consider the following CRU statistics as of June 2007..

- 74% *Ex parte* all claims canceled or amended
- 88% *Inter partes* all claims canceled or amended

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

### ***3. The Litigation May be Stayed.***

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

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

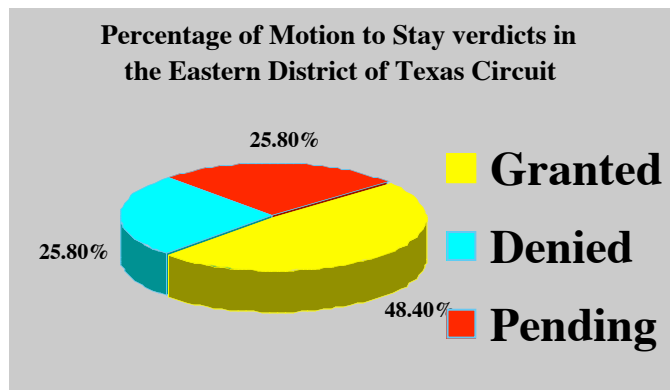
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<sup>16</sup> *Laitram Corp. v. Nec Corp.*, 952 F2d 1357 (Fed. Cir. 1991).

<sup>17</sup> *Id.* at 1362-63.

<sup>18</sup> *Tennant Co. v. Hako Minutman, Inc.*, 878 F2d 1413, 1417 (Fed. Cir. 1989).

The following chart reflects the status of motions to stay litigation filed from June 1, 2005 to June 1, 2007 in the Eastern District of Texas.<sup>19</sup>



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

#### **4. Reexamination May Affect Settlement.**

Because of these risks to the patent owner, a grant of reexamination, or an Office Action that is adverse to the patent claims, especially a final rejection, may improve the defendant's settlement negotiating position. Some practitioners suggest presenting a reexamination request to the patent owner prior to submitting the request to the PTO (*i.e.*, a "pocket reexamination request),” to encourage early settlement on more favorable terms.

#### **C. Potential Risks of Reexamination for Accused Infringer.**

The clearest risk for an accused infringer is that at least one asserted patent claim survives the reexamination process unamended and without any adverse prosecution history estoppels. The reexamination may allow the patent owner to have the CRU deal with all of the art in the litigation and to present arguments and declarations that support patentability of the claims over this art, including possible secondary (objective)

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<sup>19</sup> Graphic taken from PowerPoint presentation accompanying Federal Circuit Bar Association webinar on "Current State of Re-Exams at the USPTO," presented on September 13, 2007. Data obtained from PACER. Ms. Lissi Marquis and Mr. Greg Novak, two of the panelists for this Sedona Reexamination Panel, were presenters for the FCBA program.

considerations of non-obviousness that were not present when the claims were originally prosecuted. An *ex parte* reexamination may give the patent owner significant advantage in dealing with the art because the third party requester is excluded from the process after it is begun and the patent owner can interview the examiner. While the court can find a patent invalid even if it survives reexamination, most judges will defer to the presumed administrative expertise of the PTO, CRU and the BPAI.

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

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

In 2005 the PTO created a dedicated Central Reexamination Unit (CRU) to ensure quality and consistency of reexamination proceedings, and to reduce pendency. The CRU handles all reexaminations regardless of technology and all legacy reexaminations have been transferred to the CRU from their respective Technology Centers. The CRU is currently headed by CRU Director, Ms. Lissi Marquis.

In 2006, the CRU included 31 Patent Examiners, 3 Supervisory Patent Examiners, and 10 support staff. The Examiners are selected from the ranks of the PTO Examiner Corps and have an average of approximately 17 years of examining experience. Many of the Examiners also have advanced technical degrees and/or law degrees. The Examiners are evaluated on work quality and workflow, not on production quotas as is the case with the regular examiner corps. Assignment to the CRU is recognized throughout the PTO as professional advancement, and morale throughout the CRU is high and turnover is low.

Cases are handled with special dispatch. 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 will conference to resolve any disagreements. The assigned Examiners will not include an Examiner who examined the original patent application.

##### ***B. Expedited Handling***

The CRU has a three month deadline to issue a decision on an SNQ. Further, the Central Reexamination Unit (CRU) has established a goal to issue a Final Office Action within two years of the filing of a request for reexamination. All reexaminations are handled with "Special Dispatch." Higher priority is afforded to reexaminations of patents involved in litigation. Even higher priority is afforded when trial proceedings have been stayed pending the outcome of reexamination. The CRU has dedicated paralegals that search litigation databases for case status before each Office Action is mailed. Reexaminations that have been pending for nearly two years are assigned the highest priority.

### **C. Practice Suggestions from the CRU Director, Ms. Marquis**

Under new practice, the CRU will only reexamine claims for which a substantial new question of patentability (SNQ) is alleged and found. In the past, a SNQ for even a single claim would typically trigger 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 failure to apply every cited reference. The filing date is important because 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. Potential valid reasons include death or unavailability of the inventor, or a need for trial testimony or exhibits. Extensions of time will not be granted for holidays or vacations.

If you have a concern about a reexamination, 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. This may delay the reexamination proceeding.

### **V. Instituting and Prosecuting Reexaminations**

#### **A. Generally**

Reexamination can be *ex parte* or *inter partes*. In *ex parte* reexamination, a third party requestor will receive copies of Office Actions and patent owner replies, but cannot otherwise participate in the reexamination proceeding and cannot appeal PTO decisions. *Ex parte* reexamination is discussed below. In *inter partes* reexamination, when the patent owner submits a reply to an Office Action, the third party requestor 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 requestor is entitled to certain appeals, but is also subject to certain estoppels. *Inter partes* reexamination is discussed below.

#### **B. The Request**

A request for reexamination must include a statement pointing out each substantial new question (SNQ) of patentability. The SNQ must be based on prior patents and/or printed publications. (37 CFR 1.510(b)(1), 37 CFR 1.915(b)(3)). Other patentability issues will not be considered for instituting a reexamination.

The request must also include an identification of every claim for which reexamination is requested, and a detailed explanation of the pertinence and manner of applying each of the cited prior art to every claim for which reexamination is requested. (37 CFR 1.510(b)(2), 37 CFR 1.915(b)(3)). Failure to address each submitted reference in the detailed description will result in a denial of a filing date. The filing date starts a two-year period in which the PTO strives to issue a Final Office Action.

The PTO will only reexamine those claims for which a SNQ is alleged and found. The PTO will consider an undated document if it is accompanied by reliable evidence, such as an affidavit or deposition transcripts, supporting an asserted publication date. Where a reference originated with the patent owner, the CRU might consider issuing a request to the patent owner for additional information under 37 CFR 1.105. For reexaminations ordered on or after November 2, 2002, a finding of a substantial new question of patentability, and claim rejections, can be based solely on previously cited/considered "old" prior art, or in combination with other prior art. MPEP 2242(II)(A) and MPEP 2258.01(A).

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

*Ex parte* reexamination can be requested by a patent owner or any third party requestor at any time during the enforceability of a patent. 35 USC 302, 37 CFR 1.510 ("Rule 510"). Subsequent requests for *ex parte* reexamination by a third party requestor are permitted. Co-pending reexamination proceedings may be merged. (Rule 565.) The patent owner is not permitted to broaden the scope of claims during *ex parte* reexamination. (Rule 552(b)). A third party requestor can appeal a determination refusing *ex parte* reexamination to the PTO Director. The Director's decision is non-appealable. (Rule 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. (37 C.F.R. 1.530). Where the *ex parte* reexamination was requested by third party, the third party is entitled to respond to such a patent owner statement. (37 C.F.R. 1.535). This may be a reason why it is not common for a patent owner to make a statement prior to receipt of an Office Action.

The patent owner is entitled to appeal to the Board of Patent Appeals and Interferences 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. 35 U.S.C. 306. A third party requestor is not entitled to such appeals.

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

The Director of PTO can institute *ex parte* reexaminations *sua sponte*. 35 USC 303, 37 CRF 1.520. Under current PTO practice, the Director will institute a reexamination only upon a finding that a patent brings disrepute on the PTO or that there was a significant procedural error during examination. For example, where a Patent Examiner failed to consider references submitted in an IDS during the examination

process, despite numerous requests from the applicant, the PTO may determine whether the references raise a SNQ.

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

*Inter partes* reexamination can be requested by any party other than the patent owner and its privies, at any time during the period of enforceability of a patent. (Rule 913.). *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. (Rule 913.) As with *ex parte* reexaminations, a third party requestor can appeal a determination refusing *inter partes* reexamination to the Director. The Director's decision is non-appealable. (Rule 927.)

A patent owner is entitled to appeal to the Board of Patent Appeals and Interferences 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. 35 U.S.C. 315(a). A third party requestor is entitled to appeal to the Board of Patent Appeals and Interferences 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. 35 U.S.C. 315(b).

#### ***F. Estoppels in Inter Partes Reexamination***

A third party cannot argue invalidity in a civil patent action on any ground that was or could have been raised in a prior *inter partes* reexamination requested by the third party. The third party is not, however, precluded from asserting invalidity based on newly discovered art that was unavailable to the third party requestor and the PTO at the time of the *inter partes* reexamination. (35 U.S.C. 315(c)). 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. (Rule 907(b)).

Once a request for *inter partes* reexamination has been granted, the third party requestor cannot file a subsequent request for *inter partes* reexamination while the prior *inter partes* reexamination is pending. 37 CFR 1.907(a) Once a final decision is granted favorable to patentability of any original, proposed amended, or new claim, the third party requestor 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. 37 CFR 1.907(c).

After an *inter partes* reexamination has been instituted, the third party requestor is precluded from citing any additional prior art unless it rebuts a finding of the Examiner or a response by the patent owner, or if it became known or available after filing of the request. (1.948)

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

## ***VI. Merger and Stays in Concurrent PTO Proceedings***

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

- Merger of *ex parte* reexamination with co-pending *ex parte* reexamination, reissue and interference proceedings. 37 C.F.R. 1.565
- Merger of *ex parte* reexamination with reissue and interference proceedings. 37 C.F.R. 1.989(a)
- Merger of *ex parte* reexamination and *inter partes* reexamination proceedings. 37 C.F.R. 1.989(b)

## ***VII. Reexamination Statistics***

Attached are reexamination statistics for 2006-2007.



Inter Partes Reexamination Filing Data - Fiscal Year 2006

1. Total requests filed 10/01/05 - 9/30/06 .....	70 <sup>20</sup>
2. Number of filings by discipline	
a. Chemical Operation	17 24%
b. Electrical Operation	27 39%
c. Mechanical Operation	26 37%
3. Annual Reexam Filings	
<u>Fiscal Yr.</u> <u>No.</u> <u>Fiscal Yr.</u> <u>No.</u> <u>Fiscal Yr.</u> <u>No.</u> <u>Fiscal Yr.</u> <u>No.</u>	
2000          0                2002          4                2004          27                2006          70	
2001          1                2003          21                2005          59	
4. Number known to be in litigation .....	45.....64%
5. Decisions on requests .....	47
a. No. granted .....	43.....91%
(1) By examiner	43
(2) By Director (on petition)	0
b. No. not granted .....	4.....9%
(1) By examiner	4
(2) Reexam vacated	0
6. Overall reexamination pendency (Filing date to certificate issue date, reexams concluded in FY06)	
a. Average pendency	34.1 (mos.)
b. Median pendency	40.0 (mos.)
7. Total inter partes reexamination certificates issued (in FY 2006) .....	4
a. Certificates with all claims confirmed	1 25%
b. Certificates with all claims canceled	3 75%
c. Certificates with claims changes	0 0%

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<sup>20</sup> Of the requests received in FY 2006, 9 requests have not yet been accorded a filing date, 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).

Inter Partes Reexamination Filing Data - June 30, 2007

1. Total requests filed since start of <i>inter partes</i> reexam on 11/29/99 .....	272 <sup>21</sup>						
2. Number of filings by discipline							
a. Chemical Operation	69	25%					
b. Electrical Operation	98	36%					
c. Mechanical Operation	105	39%					
3. Annual Reexam Filings							
<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>
2000	0	2002	4	2004	27	2006	70
2001	1	2003	21	2005	59	2007	90
4. Number known to be in litigation .....	137	.....50%					
5. Decisions on requests .....	232						
a. No. granted .....	223	.....96%					
(1) By examiner	2238						
(2) By Director (on petition)	0						
b. No. not granted .....	9	.....4%					
(1) By examiner	7						
(2) Reexam vacated	2						
6. Overall reexamination pendency (Filing date to certificate issue date)							
a. Average pendency	29.1 (mos.)						
b. Median pendency	30.4 (mos.)						
7. Total <i>inter partes</i> reexamination certificates issued (1999 - present) .....	8						
a. Certificates with all claims confirmed	1	12%					
b. Certificates with all claims canceled	7	88%					
c. Certificates with claims changes	0	0%					

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<sup>21</sup> Of the requests received through June 30, 2007, 1 proceeding was vacated per 37 CFR 1.913; and 7 requests have not yet been accorded a filing date and preprocessing of I request was 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).

Ex Parte Reexamination Filing Data - Fiscal Year 2006

1. Total requests filed 10/01/05 - 9/30/06 .....	511 <sup>22</sup>	
a. By patent owner	128	25%
b. By other member of public	383	75%
c. By order of Commissioner	0	0%

2. Number of filings by discipline		
a. Chemical Operation	118	23%
b. Electrical Operation	228	45%
c. Mechanical Operation	165	32%

3. Annual Ex Parte Reexam Filings

<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>
1981	78 (3 mos.)	1989	243	1997	376	2005	524
1982	187	1990	297	1998	350	2006	511
1983	186	1991	307	1999	385		
1984	189	1992	392	2000	318		
1985	230	1993	359	2001	296		
1986	232	1994	379	2002	272		
1987	240	1995	392	2003	392		
1988	268	1996	418	2004	441		

4. Number known to be in litigation .....	229	45%
5. Determinations on requests .....		
a. No. granted .....	422	93%
(1) By examiner	417	
(2) By Director (on petition)	5	
b. No. denied .....	31	7%
(1) By examiner	31	
(2) Order vacated	0	

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<sup>22</sup>Of the requests received in FY 2006, 35 requests have not yet been accorded a filing date, and preprocessing of one request was terminated, for failure to comply with the requirements of 37 CFR 1.510. See Clarification of Filing Date Requirements for *Ex Parte* and *Inter Partes* Reexamination Proceedings, Final Rule, 71 Fed. Reg. 44219 (August 4, 2006).

6. Total examiner denials (includes denials reversed by Director) .....				36
a. Patent owner requester		14		39%
b. Third party requester		22		61%
7. Overall reexamination pendency (Filing date to certificate issue date)				
a. Average pendency				26.7 (mos.)
b. Median pendency				27.8 (mos.)
8. Reexam certificate claim analysis:	<u>Owner</u>	<u>3rd Party</u>	<u>Comm'r</u>	<u>Overall</u>
	<u>Requester</u>	<u>Requester</u>	<u>Initiated</u>	
a. All claims confirmed	25%	27%	13%	26%
b. All claims cancelled	9%	15%	37%	12%
c. Claims changes	66%	58%	50%	62%
9. Total ex parte reexamination certificates issued (in FY 2006) .....				327
a. Certificates with all claims confirmed			85	26%
b. Certificates with all claims canceled			39	12%
c. Certificates with claims changes			203	62%
10. Reexam claim analysis - requester is patent owner or 3rd party; or Comm'r initiated.				
a. Certificates - PATENT OWNER REQUESTER .....				131
(1) All claims confirmed			33	25%
(2) All claims canceled			12	9%
(3) Claim changes			86	66%
b. Certificates - 3rd PARTY REQUESTER .....				188
(1) All claims confirmed			50	27%
(2) All claims canceled			28	15%
(3) Claim changes			110	58%
c. Certificates - COMM'R INITIATED REEXAM .....				8
(1) All claims confirmed			1	12.5%
(2) All claims canceled			3	37.5%
(3) Claim changes			4	50%

Ex Parte Reexamination Filing Data - June 30, 2007

1. Total requests filed since start of ex parte reexam on 07/01/81 .....		8732 <sup>23</sup>
a. By patent owner	3446	39%
b. By other member of public	5121	59%
c. By order of Commissioner	165	2%

2. Number of filings by discipline		
a. Chemical Operation	2634	30%
b. Electrical Operation	2890	33%
c. Mechanical Operation	3208	37%

3. Annual Ex Parte Reexam Filings

<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>	<u>Fiscal Yr.</u>	<u>No.</u>
1981	78 (3 mos.)	1989	243	1997	376	2005	524
1982	187	1990	297	1998	350	2006	511
1983	186	1991	307	1999	385	2007	477
1984	189	1992	392	2000	318		
1985	230	1993	359	2001	296		
1986	232	1994	379	2002	272		
1987	240	1995	392	2003	392		
1988	268	1996	418	2004	441		

4. Number known to be in litigation .....		2145	25%
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5. Determinations on requests .....		8373	
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a. No. granted .....		7662	92%
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(1) By examiner	7551
(2) By Director (on petition)	111

b. No. denied .....		711	8%
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(1) By examiner	676
(2) Order vacated	35

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<sup>23</sup> Of the requests received through June 30, 2007, 28 requests have not yet been accorded a filing date, and preprocessing of 25 requests was terminated, for failure to comply with the requirements of 37 CFR 1.510. See Clarification of Filing Date Requirements for *Ex Parte* and *Inter Partes* Reexamination Proceedings, Final Rule, 71 Fed. Reg. 44219 (August 4, 2006).

6. Total examiner denials (includes denials reversed by Director) .....				787
a. Patent owner requester			442	56%
b. Third party requester			345	44%
7. Overall reexamination pendency (Filing date to certificate issue date)				
a. Average pendency				23.4 (mos.)
b. Median pendency				18.2 (mos.)
8. Reexam certificate claim analysis:	Owner	3rd Party	Comm'r	
	<u>Requester</u>	<u>Requester</u>	<u>Initiated</u>	
	<u>Overall</u>			
a. All claims confirmed	23%	29%	13%	26%
b. All claims cancelled	7%	12%	21%	10%
c. Claims changes	70%	59%	66%	64%
9. Total ex parte reexamination certificates issued (1981 - present) .....				5795
a. Certificates with all claims confirmed			1513	26%
b. Certificates with all claims canceled			596	10%
c. Certificates with claims changes			3686	64%
10. Reexam claim analysis - requester is patent owner or 3rd party; or Comm'r initiated.				
a. Certificates - PATENT OWNER REQUESTER .....				2503
(1) All claims confirmed			578	23%
(2) All claims canceled			181	7%
(3) Claim changes			1744	70%
b. Certificates - 3rd PARTY REQUESTER .....				3149
(1) All claims confirmed			917	29%
(2) All claims canceled			385	12%
(3) Claim changes			1847	59%
c. Certificates - COMM'R INITIATED REEXAM .....				143
(1) All claims confirmed			18	13%
(2) All claims canceled			30	21%
(3) Claim changes			95	66%