



REEXAMINATION PRACTICE WITH CONCURRENT DISTRICT COURT OR USITC PATENT LITIGATION

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Reexamination Practice with Concurrent District Court or USITC Patent Litigation

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Introduction

This paper addresses the interface between patent litigation before federal courts or the United States International Trade Commission (“ITC”) and co-pending reexamination proceedings involving the patent-in-suit before the United States Patent and Trademark Office (“PTO”). As independent arbiters of patent validity, each forum poses a distinct set of challenges and risks. These so-called “parallel universes” work with separate rules, time lines, and results in cases involving the same patent. Celebrated cases involving high profile reexaminations and co-pending litigation such as the Blackberry wireless product² have highlighted the critical interplay between these two worlds—one of Article III or Article I courts on the one hand and the United States Patent and Trademark Office (PTO) on the other.

Supreme Court cases such as *KSR*³ and Federal Circuit cases such as *In re Translogic Tech.*⁴ and *In re Swanson*,⁵ as well as recent PTO initiatives and decisions have illuminated and clarified the legal landscape and brought the interplay between the courts and the PTO into sharper focus. This is especially true as patent reexaminations exert a growing influence on patent litigation as reexamination becomes a viable (or even preferred) venue to challenge patent validity, especially where the option of *inter partes* reexamination becomes more routinely available.

Through the efforts of its Central Reexamination Unit (“CRU”), the PTO has gone through great effort to make reexamination procedures a viable avenue for post-grant patent challenges, even while Congress mulls alternative and possibly more extensive post-grant proceedings. At the same time, the recent Supreme Court decision in *KSR* appears to have cast serious doubt on the validity of many hundreds of thousands of issued patents. For these reasons, the Sedona Patent Litigation Conference 2008 has continued its in-depth dialogue begun in 2006 on how reexamination practice and other post-grant PTO proceedings fit with patent litigation. This paper repeats and reinforces

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

² *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1326 (Fed. Cir. 2005)

³ *KSR Int’l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727 (2007).

⁴ *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2008).

⁵ *In re Swanson*, No. 2007-1534, 2008 WL 4068691 (Fed. Cir. Sept. 4, 2008).

many of the topics covered in the 2007 and 2006 Sedona Conferences on Patent Litigation as those topics are even more relevant today. The authors have also updated the reexamination statistics coming from the CRU, performed additional in-depth data collection and analysis, and addressed how the *KSR* decision and many other recent significant developments are impacting reexamination practice.

This article 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 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 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 therein timing of reexamination requests, the risk versus reward calculus, general reexamination tenets, and other considerations. **Section III** is a short 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 IV** provides a brief overview of the PTO's Central Reexamination Unit, the current issues it faces, and recent initiatives to improve its core processes. We end with a presentation and discussion of the most recent reexamination statistics, from both the CRU and our own data collection and analysis.

I. Hot Topics and New Developments

Patent reexamination is a fast moving area of law. The formation of the CRU and legal developments such as *KSR* have led to a marked increase of in the use of reexamination as a viable vehicle for post-grant challenges to patent validity, especially where there is co-pending or threatened district court litigation. As new cases percolate through the parallel venues of the PTO and the federal courts and ITC, new issues arise even as old questions are answered. We discuss such issues in the next section. The topics in are presented roughly in the order in which they should be addressed if one is considering a reexamination strategy in view of threatened or pending federal court or ITC action.

A. What Patents are Eligible for 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.⁶ *Inter partes* reexamination is only available for patents that issued from an original application filed in the United States on or after November 29, 1999.⁷ Until recently, the meaning of “an original application” was not fully settled.⁸ The unsettled issue was whether an *inter partes* reexamination can be filed on a patent from a continuation application having a

⁶ 37 C.F.R. Section 1.913.

⁷ *Id.*

⁸ *See Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1332-34 (Fed. Cir. 2008).

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 court⁹ and subsequently affirmed by the Federal Circuit.¹⁰ The practical effect is that any patent whose actual filing date is on or after November 29, 1999, is eligible for *inter partes* reexamination, irrespective of whether its effective filing date is earlier.

B. Real Party in Interest

Ex parte reexamination requests may be filed by any party anonymously.¹¹ This is not true for *inter partes* requests where the patent owner and its privies are not permitted to file *inter partes* reexamination requests on their own patents.¹² 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. For this reason, *inter partes* reexamination requests require that 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."¹³

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 may be one with minimal infringement exposure but is alleged or believed to be acting as a surrogate for the other defendants who are not officially part of the *inter partes* reexamination and thus not bound by the estoppel provisions. An alternative scenario is that the defendant filing the *inter partes* reexamination request is doing so on its own initiative and perhaps against wishes of the one or more co-defendants.

In such situations, who is the real party in interest? Just the third party requester? The entire JDG? Just those JDG members who have concurred with the reexamination strategy? Just those JDG members who have provided prior art, research, review,

⁹ *Cooper Techs. Co. v. Dudas*, 85 U.S.P.Q.2d 1465 (E.D. Va. 2007) (Brinkema, J.).

¹⁰ See FN7 *infra*.

¹¹ See 37 C.F.R. Section 1.510(b) (setting forth information required for an *ex parte* reexamination request and not including the identity of that requester); see also 37 C.F.R. Section 1.510(f) (requiring attorney or agent to have power of attorney if "a request is filed by an attorney or agent identifying another party on whose behalf the request is filed").

¹² See 37 C.F.R. Section 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. Section 1.915(b)(8) (requiring the *inter partes* request to include the identity of the real party in interest).

¹³ 37 C.F.R. Section 915(b)(8).

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 Office therefore lacks jurisdiction to continue reexamination proceedings. 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 and its legislative history, in 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 Office act with “special dispatch.” As one OPLA official put it, such petitions act as an “anchor” on reexamination proceedings that bring them to a standstill, or even preventing them from even 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.¹⁴ 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’.”¹⁵ In practice today, 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. Here however 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.”¹⁶ This is the only case of which we are aware where the PTO has terminated an *inter partes* reexamination request based on a finding of a violation of the real party in interest requirement.

The Troll Busters case 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.”¹⁷ 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

¹⁴ See Reexamination Control No. 95/001,045.

¹⁵ See <http://www.troll-busters.com/>.

¹⁶ See Control No. 95/001,045, “Decision Vacating Filing Date,” p. 7 (mailed Aug 25, 2008).

¹⁷ *Id.*

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.”¹⁸ 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* reexaminations procedures because it does not have the discovery mechanisms 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 reexamination. This is a hot area of dispute, and we expect to see more developments over the next year.

C. Impact of KSR and In re Swanson on Substantial New Questions of Patentability

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

There is a fundamental misunderstanding by many as to the difference between an SNQ and a proposed ground of rejection. A SNQ is not a proposed ground of rejection (a “*prima facie*” case of unpatentability), as many believe. Instead, a SNQ is new information about preexisting technology which may have escaped review at the time of the initial examination of the patent application. The SNQ could therefore be more aptly named a “substantial new technical teaching.”

The *ex parte* reexamination statute sets forth the universe of references that can raise a SNQ.¹⁹ In addition to 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 considered²⁰ by the Office.” *In re Swanson*²¹ provides some guidance on what constitutes a new light for old art. For example, a SNQ

¹⁸ *Id.*

¹⁹ 35 U.S.C. § 303(a)

²⁰ 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 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.

²¹ *In re Swanson* addresses the issue of what is the test for a valid SNQ, particularly with regard to references considered in the original examination or in prior federal litigation.

based on previously applied art could arise because the examiner 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 it 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 her rejection. This is a subtle but critical distinction. The purpose of the SNQ is to create a threshold for reexamination to prevent serial 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 right to institute a requested reexamination.

Additionally, it is important to note that 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.²² This is important point when determining whether to file or what references to use in a subsequent *ex parte* reexamination of a patent.

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? The PTO addressed this question explicitly in Rev. 7 of the MPEP which became publicly available in August 2008.

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. ___, 82 USPQ2d 1385 (2007) does not alter the legal standard for determining whether a substantial new question of patentability exists. The requirement for a substantial new question of patentability remains in place even if it is clear from the record of a patent for which reexamination is requested that the patent was granted because the Office did not show “motivation” to combine, or otherwise satisfy the teaching, suggestion, or motivation (TSM) test. Thus, a reexamination request relying on previously applied prior art that asks the Office to look at the art again based solely on the Supreme Court’s clarification of the legal standard for determining obviousness under 35 U.S.C. § 103 in *KSR*, without presenting the art in new light or different way, will not raise a substantial new question of patentability as to the patent claims, and reexamination will not be ordered.²³

Following that amendment, the Federal Circuit issued its decision on September 4, 2008, in *In re Swanson*. The *In re Swanson* decision did not address the impact of *KSR*

²² M.P.E.P. § 2242.

²³ M.P.E.P. § 2216, Rev. 7, July 2008.

on the determination of whether references raise an SNQ. Therefore, the issue 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 application for implementing the new obviousness calculus presented in *KSR*.²⁴ The reexamination community has expected a similar set of guidelines explaining how the CRU will apply *KSR* in reexaminations especially with regard to the SNQ determination where the SNQ involves one or more references considered in the original examination that took place prior to *KSR*. The creation of these guidelines has been rumored since Sedona 2007 but so far they have not been published by the PTO.

D. 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.²⁵ 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.²⁶ 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-ending the PTO may merge the proceedings or suspend one of the two proceedings.²⁷ 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.²⁸ 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.²⁹ Because of the statutory mandate to treat reexaminations with “special dispatch,”³⁰ the PTO would not suspend the reexamination unless there were

²⁴ 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).

²⁵ See Reissue application no. 11/513,425 and *inter partes* reexamination control no. 95/000,155.

²⁶ See 35 U.S.C. Section 251.

²⁷ See 37 C.F.R. Section 1.565(d) for merger with *ex parte* reexamination and 37 C.F.R. Section 1.991 for merger with *inter partes* reexamination.

²⁸ MPEP Section 2686.03.

²⁹ 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 co-pending district court litigation.

³⁰ 35 U.S.C. Sections 305, 314(c).

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.³¹ Factors include: (i) timing (whether reissue was filed first); (ii) the statutory mandate to treat reexaminations with “special dispatch”; (iii) the fact that the reissue could continue indefinitely via continuation applications; and (iv) whether the patent owner consented to a stay of the reissue application. A merger order will typically lay out the ground rules for the merged proceeding to proceed simultaneously. Importantly, jurisdiction of a merged proceeding stays with the CRU, not with the Technology Center reissue examiner.

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. 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 reissue certificate.

E. Duty of Disclosure

It is clear that the patent owner remains under a duty of disclosure while its patent is in reexamination proceedings under 37 C.F.R. Sections 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. Section 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.

One unresolved issue in this regard is the extent to which the PTO’s 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 disclosure rules? What if one or more members of the trial team are registered patent attorneys?

³¹ *In re Allan*, 71 U.S.P.Q.2d 1751 (Com’r Pat. & Trademarks Apr. 26, 2004) (non-precedential).

What disclosure obligations does a patent owner have, and can these obligations be avoided by remaining intentionally ignorant of prior art disclosed over the course of the litigation?

These are very important questions as the trial team is likely to become aware of material prior art or other material information either through its own investigation or simply through the accused infringer's disclosure of its invalidity contentions.

While possibly not under the duty of disclosure, the requester nonetheless has the duty of candor during the PTO proceeding, as that rule³² applies equally to both reexaminations and all other proceedings before the PTO.

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 district court 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

³² 37 C.F.R. Section 10.18.

sharing highly confidential technical information about its own products, and any non-prosecution clause should be reciprocal.

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

Finally, unresolved questions remain regarding the interplay between non-prosecution clauses in a protective order and a patent owner's duty of disclosure under 37 C.F.R. Sections 1.555 and 1.933. We expect significant developments in this area in the next year as the 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 it by receipt of such confidential or classified information. Accused infringers likewise need to be concerned about the impact of disclosing highly confidential technical information to other parties capable of drafting and amending patent claims.

G. Impact of KSR on Obviousness Determinations

The impact of *KSR* is becoming clear and the results are 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 based on a statistically significant sample. Perhaps the most extensive publicly available sample and analysis is by Phelps *et al* presented at this conference.³³ As this analysis shows, about 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 is very difficult to overcome an obviousness rejection.

We expect that the obviousness area of patent practice will experience extensive attention in the next year as patent owners and challengers grapple with the practical implications of *KSR* in PTO examinations, CRU, and the Board of Patent Appeals & Interferferences ("BPAI") and in the federal courts and the ITC.

H. Appeals of Inter Partes Reexaminations to BPAI and CAFC

Not a single *inter partes* reexamination has been appealed from the BPAI to the Federal Circuit. While a few *inter partes* reexamination certificates have issued from the CRU, a search of the BPAI's decisions reveals that the BPAI has decided only three *inter*

³³ See Microsoft Obviousness Data Research Slide Deck in Obviousness Panel paper.

partes reexaminations.³⁴ Significantly, each of those three decisions resulted in a non-final, non-appealable decision and was therefore remanded to the examiner for further prosecution.

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 takes in appeals from the CRU and sit as a "super examiner."

Another possible reason is that, for a certain small subset of *inter partes* reexaminations, the process is effective without need to appeal to the BPAI. According to a recent analysis, 30 *inter partes* reexamination certificates have issued as of July 31, 2008, out of 308 total requests.³⁵ While this represents only ten percent of total *inter partes* reexaminations, the analysis indicates that "[t]hird-party requesters succeeded in having all claims cancelled or disclaimed in 73% (22) of the first 30 completed *inter partes* proceedings in which a certificate issued."³⁶ The high success rate is skewed by the significant non-response rate by the patent owner. In 43% of the proceedings, the patent owner did not respond to the first office action. Thus, the data might simply show that the *inter partes* process works well for a very weak patent in which the patent owner has little incentive to defend the patent's validity.

The practical effect of this uncertainty appears to be that the BPAI remands many reexaminations, especially *inter partes*, back to the CRU. Based on the author's interviews with highly placed BPAI and CRU personnel, we know the PTO is aware of this issue and is working to devise a corrective approach that takes 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 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

³⁴ See 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).

³⁵ Andrew S. Baluch & Stephen B. Maebius, The Surprising Efficacy of Inter Partes Reexaminations: An Analysis of the Factors Responsible For Its 73% Patent Kill Rate And How To Properly Defend Against It, *available at* http://www.foley.com/files/tbl_s31Publications/FileUpload137/5234/InterPartesReexam.pdf

³⁶ *Id.* at 2.

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 it 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 roll. But whether a reexamination can upset a prior settlement agreement is another story as noted in *In re Swanson*.³⁷

II. Reexamination Strategy Considerations When Litigation is Threatened or Pending

The benefits of a successful reexamination are clear. If a litigation stay can be secured, an accused infringer could potentially avoid the huge costs of litigation. A comprehensive reexamination strategy through all possible appeals could cost, at most, a few hundred thousand to a million dollars. A trial, on the other hand, could cost several millions of dollars in discovery costs alone.

Before filing a reexamination request, however, a comprehensive strategy should be in place. The requester should have a clear objective and should be fully aware of the consequences of filing a reexamination request. Once filed, the requester cannot “unfile” the reexamination as part of settlement with the patent owner.³⁸ After the reexamination is instituted, it will take on a life of its own. Many pitfalls await the unwary requester who has not fully thought out the consequences of the filing and how to settle most effectively the underlying dispute.

³⁷ *In re Swanson*, No. 2007-1534, 2008 WL 4068691, at n.5 (Fed. Cir. Sept. 4, 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”).

³⁸ 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 suspension of the attorney taking the action.

A. Risks and Rewards When Considering a Reexamination Strategy

1. Reexamination and settlement

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 favorable terms. The patent owner may need to be educated on the risks that reexamination poses to its patent. Further, the patent owner will be put on notice of invalidity risks its patent 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 defendant’s settlement negotiating position. Potential requesters should keep in mind, however, that once launched a reexamination cannot be recalled.

2. Reexamination and litigation stays

Some district courts are amenable to stay requests based on reexamination requests. Some are not. Sometimes it varies judge by judge. A review of such decision should be made before requesting a reexamination stay. For instance, it has been reported that the Eastern District of Texas has granted only 23% of the stay motions filed since 1999.³⁹ On the other hand, Judge Sleet of the U.S. District Court in Wilmington Delaware has reportedly granted 8 of 10 stays since 1999.⁴⁰

Courts generally analyze three factors when considering a litigation stay based on a reexamination: “(1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.”⁴¹ 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.”⁴² 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

³⁹ Joseph Rosenbloom, *The Reexamination Gamble*, IP Law & BUSINESS July 2008, available at <http://iplawandbusiness.law.com/display.php/file=/texts/0708/reexam>.

⁴⁰ *Id.*

⁴¹ *Soverain Software LLC v. Amazon.com*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005).

⁴² *See Datatresury Corp. v. Wells Fargo & Co.*, 490 F. Supp. 2d 749, 754 (E.D. Tex. 2006).

to make an informed decision as to whether a stay will simplify a subsequent trial.⁴³ Finally, the court asks if discovery is complete and trial dates have been set. Judicial economy naturally favors requests made early in the litigation.

Is there a growing trend in which judges stay trial proceedings upon consent of the parties to be bound by the outcome of reexamination proceedings? Or does this remain an Eastern District of Texas phenomenon? In one EDTX case Judge Everingham granted a motion to stay the litigation based on the accused infringer's reexamination request.⁴⁴ In the order granting the stay, the court crafted a stipulation that 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, accused infringer was barred from directly or indirectly instituting any further reexamination proceedings.

In short, there is no guarantee that a litigation will be stayed pending outcome of a reexamination. Those seeking stay should file early to maximize their chances. Review of the assigned judge's attitudes towards reexamination can further reduce uncertainties.

3. Reexamination and trial

Can the existence of or developments in the reexamination proceeding, such as a final rejection of the claim(s) in suit, be brought to the attention of the jury, or is this inadmissible because it is too prejudicial? What about a decision by the BPAI? What if the claim(s) survive reexamination at the CRU? 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. 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 Markman 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 and the broader claim construction rules and the lower burden of proof of invalidity at the CRU. To put it in soundbite terms – “If you can't win it at the CRU, then you have even less chance to win it in court.” Such counsel particularly take this view in jurisdictions having a reputation of upholding the validity of patents.

⁴³ See *id.* at 755 (considering that “the statistics reveal that most reexaminations result in claim amendments or cancellations”).

⁴⁴ *Visto Corp. v. Research in Motion Ltd.*, No. 2:06-cv-181 (E.D. Tex. July 2, 2008).

4. *Reexamination and damages*

Official PTO statistics (provided below) indicate that approximately two-thirds of patents put through reexamination result in some change to their claims. Ten percent are canceled outright.⁴⁵ Where claims are substantively amended, the accused infringers are no longer liable for past damages. This can be crucial where the patent term is short or the accused infringers have clear and inexpensive design-around options.

More specifically, substantive amendments made during reexamination may defeat damages for past infringement under the statutory doctrine of intervening rights.⁴⁶ A patent owner cannot seek damages for claims that are not substantially identical to the original claims.⁴⁷ There is no *per se* rule for determining whether a claim is not “substantially identical.”⁴⁸ 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.”⁴⁹ The determination is a legal one, and a claim is changed if its scope is changed.⁵⁰

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

Accused infringers should consider the following CRU statistics as of June 30, 2008:

- 72% of *ex parte* reexaminations initiated by a third party resulted in some or all of the claims being canceled or amended. Only 28% survived with all claims being confirmed.⁵¹
- 78% of *inter partes* reexaminations resulted in all claims being canceled, while 93% resulted in some change to the claims. Only 7% survived with all claims being confirmed.

A full set of current CRU statistics are included at the end of this paper.⁵²

⁴⁵ 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.

⁴⁶ 35 U.S.C. Sections 252, 307(b), 316(b).

⁴⁷ *Bloom Eng'g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997).

⁴⁸ *Laitram Corp. v. NEC Corp.*, 952 F.2d 1357, 1358 (Fed. Cir. 1991).

⁴⁹ *Id.* at 1362-63.

⁵⁰ *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir. 1989).

⁵¹ Recall that *ex parte* reexaminations may also be initiated by request of the patent owner or the Director.

5. *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 deal with all of the art in the litigation and to present arguments and declarations that support patentability of the claims over this 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 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. The added claims could strategically cover aspects of the invention not included in the issued claim set, although prohibitions against broadening amendments may bar such activity.

Finally, an early filed reexamination 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.

B. 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.”⁵³ In the author's experience, however, this is not

⁵² The PTO updates these statistics quarterly. See <http://www.uspto.gov/web/patents/cru.html>.

⁵³ 37 C.F.R. Section 1.935.

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 typically necessary for a final decision from the CRU⁵⁴—waiting too long 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 it are directly applicable to an accused infringer’s invalidity case and would 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?

⁵⁴ The CRU has indicated an internal goal of 24 months from instituting the *inter partes* reexamination request to final office action.

7. Are there pertinent dates on the discovery docket that might counsel delay in filing—*e.g.*, after close of discovery to ensure all discovered prior art is included or after inventor depositions?

One additional consideration was raised in a recent Federal Circuit decision where a party attempted to obtain relief from a final judgment under FRCP 60(b)(6) based on alleged disclaimers made during post-trial reexamination.⁵⁵ 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.⁵⁶ 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.”⁵⁷ 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.

C. 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.

⁵⁵ *Amado v. Microsoft Corp.*, 517 F.3d 1353 (Fed. Cir. 2008)

⁵⁶ *Id.* at 1363.

⁵⁷ *Id.*

Another factor to consider is the impact that multiple or “rolling” reexamination requests may have on a district court judge. Could multiple reexamination requests impact an already granted litigation stay? At least one district court precluded an accused infringer from filing further *ex parte* reexamination requests as a condition of granting its motion to stay a litigation on the eve of trial.⁵⁸ The ability to file subsequent reexamination requests may be an important tool in an overall *ex parte* reexamination strategy and relinquishing that ability should be carefully considered.

Finally, a patent owner can file a petition arguing that subsequent reexamination requests are being filed for the purposes of harassment.⁵⁹ This should also be a consideration when determining whether to file multiple reexamination requests.

D. Other Reexamination Decision Factors

1. The standard of proof for validity is different for reexamination than in district court

In the world of litigation, patent claims enjoy a presumption of validity, overcome only by clear and convincing evidence. In contrast, no such evidentiary presumption exists during reexamination before the PTO. Because of the patent owner’s ability to amend claims, the PTO and the CRU use a “preponderance of the evidence” standard for adjudging invalidity.⁶⁰ For this reason, challenging a patent’s validity should be easier before the PTO than in the district court. Nevertheless, a patent owner faces many practical limitations in its ability to amend claims during reexamination. As noted herein,, if claims are substantively amended, liability for past damages is put at serious risk.

2. Claim construction is different in a reexamination proceeding than in district court

During reexamination proceedings, claims are construed with their broadest reasonable interpretation, consistent with the specification.⁶¹ For this reason, a Markman order in district court litigation has no preclusive effect on the PTO and is not binding thereon.⁶² 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

⁵⁸ See *Visto Corp. v. Research in Motion Ltd.*, No. 2-06CV-181 (E.D. Tex. complaint filed Apr. 28, 2006).

⁵⁹ See MPEP Section 2240.

⁶⁰ MPEP Section 706.I. (“The standard to be applied in all cases is the ‘preponderance of the evidence’ test. In other words, an examiner should reject a claim if, in view of the prior art and evidence of record, it is more likely than not that the claim is unpatentable.”).

⁶¹ *In re Yamamoto*, 740 F.2d 1596, 1571 (Fed. Cir. 1984).

⁶² *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1297 (Fed. Cir. 2007).

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 impacted what the PTO considers as analogous art

In *KSR*, the Supreme Court stated that “any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.”⁶³ Indeed, the Court stated that “familiar items may have obvious uses beyond their primary purposes.”⁶⁴ These statements from *KSR* may also impact the world of prior art available to an accused infringer contemplating reexamination because *KSR* appears to weaken arguments that the applied art is “non-analogous.”⁶⁵

4. The PTO is Not Bound by a Prior Determination That Claims Not Invalid Over Prior Art

The PTO can invalidate patent claims that were previously declared not invalid over the same prior art by a U.S. court. As discussed in *In re Swanson*, “[c]ourts 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 Therefore, ‘a prior holding of validity is not necessarily inconsistent with a subsequent holding of invalidity.’”⁶⁶ 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.⁶⁷ 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.⁶⁸ In other words, the PTO will not reexamine patent claims that were previously invalidated by a U.S. court.

⁶³ *KSR Int’l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727, 1742 (2007). For an early analysis of *KSR*, see generally Matthew J. Dowd, Kenneth C. Bass, III, & Robert Greene Sterne, *KSR International Co. v. Teleflex, Inc.: Another Small Issue for Nanotechnology*, 4 NANOTECHNOLOGY L. & BUS. 293 (2007).

⁶⁴ *KSR*, 127 S. Ct. at 1742.

⁶⁵ See *In re Icon Health & Fitness, Inc.*, 496 F.3d 1374, 1380-81 (Fed. Cir. 2007).

⁶⁶ *In re Swanson*, No. 2007-1534 at p. 14.

⁶⁷ *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).

⁶⁸ See MPEP Section 2686.04.

E. 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.⁶⁹ 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 disclosure requirements, as discussed above.⁷⁰ 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?

⁶⁹ 35 U.S.C. Section 317(b).

⁷⁰ See 37 C.F.R. Sections 1.555, 1.933; see also section 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.⁷¹ 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 and the information will become part of the application record and 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 72 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.⁷² In

⁷¹ See M.P.E.P. §§ 724.04 - 724.06.

⁷² See Vivek Koppikar, *Evaluating the International Trade Commission’s Section 337 Investigation*, 86 J. PAT. & TRADEMARK OFF. SOC’Y 432, 433 (2004).

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.”⁷³

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.⁷⁴ 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.⁷⁵ 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

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

⁷⁴ *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).

⁷⁵ *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 stats seem to indicate prompt processing of reexaminations and a high probability of the reexamination resulting in some or all of the claims being found invalid. Litigants thus should pay special attention in the court filings relating to stays to explain the current reexamination environment.

7. Impact on laches

Do reexamination proceedings or the issuance of a reexamination certificate have any impact on the six-year statutory laches provisions of 35 U.S.C. Section 286. A recent decision by the Federal Circuit seems to indicate that a reexamination certificate will not restart or impact the six-year laches presumption for enforcing an issued patent.⁷⁶

III. 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

⁷⁶ 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).

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.⁷⁷

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 require (1) a statement pointing out each substantial new question of patentability (SNQ) and (2) a detailed explanation of the pertinency 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.⁷⁸ Other patentability issues, such as prior public use or insufficiency of the disclosure, will not be considered for instituting a reexamination.

The PTO will only reexamine those claims for which a SNQ is alleged and found. The PTO will consider an undated document if it is accompanied by reliable evidence, such as an affidavit or deposition transcripts, supporting an asserted publication date. Where a reference originated with the patent owner, the CRU might consider issuing a request to the patent owner for additional information under 37 C.F.R. Section 1.105. For reexaminations ordered on or after November 2, 2002, a finding of 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.⁷⁹

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.⁸⁰ Failure to address each submitted reference in the detailed description will result in a denial of a filing date.

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

⁷⁷ Other practitioners and commentators have provided more detailed 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).

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

⁷⁹ MPEP Sections 2242(II)(A), 2258.01(A).

⁸⁰ *Id.* Sections 1.510(b)(2), 1.915(b)(3).

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.⁸¹ 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.⁸² The patent owner is not permitted to broaden the scope of claims during *ex parte* reexamination.⁸³ A third party requester can petition the PTO Director to review a determination refusing *ex parte* reexamination.⁸⁴ The Director's decision is non-appealable but can be challenged via a district court action.

In response to a grant of *ex parte* reexamination, the patent owner is entitled to file a statement on the new question of patentability, including any proposed amendments the patent owner wishes to make.⁸⁵ Where the *ex parte* reexamination was requested by a third party, the third party is entitled to respond to the patent owner's statement.⁸⁶ 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.⁸⁷

D. Director-Initiated Ex Parte Reexamination

The PTO Director can institute *ex parte* reexaminations *sua sponte*.⁸⁸ 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

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

⁸² 37 C.F.R. Section 1.565.

⁸³ *Id.* Section 1.552(b).

⁸⁴ *Id.* Section 1.515(c).

⁸⁵ *Id.* Section 1.530.

⁸⁶ *Id.* Section 1.535.

⁸⁷ 35 U.S.C. Section 306.

⁸⁸ 35 U.S.C. Section 303; 37 C.F.R. Section 1.520.

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.⁸⁹ *Inter partes* reexamination is only available for patents that issued from an original application filed in the United States on or after November 29, 1999.⁹⁰ 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 court⁹¹ and subsequently affirmed by the Federal Circuit in *Cooper Techs. Co. v. Dudas*.⁹² The practical effect is that any patent whose actual filing date is on or after November 29, 1999, is eligible for *inter partes* reexamination, irrespective of whether its effective filing date is earlier.

As with *ex parte* reexaminations, a third party requester can petition the Director to review a determination refusing *inter partes* reexamination. The Director’s decision of the petition is non-appealable.⁹³

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.⁹⁴ 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.⁹⁵

⁸⁹ 37 C.F.R. Section 1.913.

⁹⁰ *Id.*

⁹¹ *Cooper Techs. Co. v. Dudas*, 85 U.S.P.Q.2d 1465 (E.D. Va. 2007) (Brinkema, J.).

⁹² *See Cooper Techs. Co. v. Dudas*, No. 2008-1130, slip op. at 2-7 (Fed. Cir. Aug. 19, 2008).

⁹³ 37 C.F.R. Section 1.927.

⁹⁴ 35 U.S.C. Section 315(a).

⁹⁵ *Id.* Section 315(b).

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.⁹⁶ 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.⁹⁷

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.⁹⁸ 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.⁹⁹

After an *inter partes* reexamination has been instituted, the third party requester is precluded from citing any additional prior art unless it rebuts a finding of the examiner or a response by the patent owner, or if it became known or available after filing the request.¹⁰⁰

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

A. *Dedicated Examiners*

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

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

⁹⁶ *Id.* Section 315(c).

⁹⁷ 37 C.F.R. Section 1.907(b).

⁹⁸ *Id.* Section 1.907(a).

⁹⁹ *Id.* Section 1.907(c).

¹⁰⁰ *Id.* Section 1.948.

in response to increased use of reexaminations as a viable post-grant vehicle to challenge patent validity.

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

By statutory mandate, reexaminations are handled with “special dispatch.”¹⁰¹ Preparation of each office action involves two patent examiners and one supervisory patent examiner. One of the patent examiners prepares the office action. The second patent examiner and the supervisory patent examiner review the office action before the office action is mailed. The three examiners confer to resolve any disagreements. The assigned examiners do not include an examiner who examined the original patent application.

B. Expedited Handling

Reexamination requests first undergo review by the CRU staff to ensure compliance with the rules. If the reexamination request passes this muster, a notice of request is made public in the Official Gazette. If the examination panel subsequently determines that there is a substantial new question of patentability, then that date becomes the reexamination filing date. Just because the notice of request is published in the Official Gazette does not necessarily mean that the reexamination request was satisfactory. Roughly 10% of requests are later vacated by the examining panel for informalities. This number has fallen from roughly 15% in previous years.

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

Currently, at least 50% of the pending reexamination requests lay in the electrical/software/business method arts. This percentage is growing. While there may be a perception that reexamination is disfavored in the chemical/biological arts, we note that these numbers more likely mirror current trends in the technology centers and the fewer issued patents in the chemical/biological fields. Current pendency rates reflect the large number of reexaminations in the electrical arts. Using the 2-year-to-final-action

¹⁰¹ 35 U.S.C. Section 305.

metric, the chemical/biological group has no backlog, while nearly 90% of the mechanical reexaminations achieved this goal. However, only 70% of the electrical/software/business method reexaminations resulted in a final action by the 2-year point.

As yet there are no reliable statistics on the pendency of reexaminations appealed to the BPAI. At least seven months can pass between the filing of a notice of appeal, the patent owner's brief, the third party requester response (if *inter partes*), and the examiner's answer. The BPAI has a stated goal of then rendering a reexamination decision in six months. An appeal to the BPAI is unlikely to run its course in less than a year. To date, we are unaware of any *inter partes* reexamination that has completed the appeals process.

C. *Interaction Between CRU and OPLA*

As noted above, the CRU works closely with the Office of Patent Legal Administration ("OPLA") to resolve petitions to the director, disputes involving the "real party in interest," petitions to merge proceedings, and the like. The CRU also works closely with OPLA in examining the practical effects of its own rules and in examining ways to streamline reexamination proceedings to reflect today's realities.

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

D. *Practice Suggestions*

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

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

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

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

If a practitioner has a concern about a reexamination, he or she should contact the Office of the CRU Director before petitioning the 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.

E. Recommendations That Are Circulating

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

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

In certain celebrated situations in the past 12 months, the stock price (and company valuation) of a publicly traded patent owner has dropped precipitously due to the issuance of a non-final office action rejecting some or all of the claims of the patent in reexamination. This precipitous drop is in large part due to “short selling” in the capital markets of the stock of the patent owner, which is driven down by the shorts as a way to make a big profit. Putting aside whether such practices are proper, it seems fair that the PTO should indicate on its website that rejections in non-final office actions do not necessarily reflect the final disposition of such claims in reexaminations. This information may stem the lack of knowledge of the full implications of a non-final office action and thus may allow the capital markets to more accurately and appropriately react to these reexamination developments.

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

F. CRU Criticisms

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

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

Moreover, critics contend that the CRU tends to “rubber stamp” the reexamination request filed by the requestor in *inter partes* proceedings and that the first office action almost always rejects all of the claims and thus improperly shifts the presumption to the patent owner that the claims are *prima facie* invalid. They also contend that the patent owner essentially only has the response to the first office action to put forth evidence of 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.

V. 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 June 30, 2008).

2008 CRU REEXAMINATION STATISTICS

See the following .pdf of the PTO's June 30, 2008 statistics.



UNITED STATES PATENT AND TRADEMARK OFFICE

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

Ex Parte Reexamination Filing Data - June 30, 2008

Table with 5 main categories: 1. Total requests filed since start of ex partes reexam on 07/01/81 (9382 total); 2. Number of filings by discipline (Chemical, Electrical, Mechanical, Design); 3. Annual Ex Parte Reexam Filings (table with columns for Fiscal Yr. and No. from 1981 to 2008); 4. Number known to be in litigation (2533, 27%); 5. Decisions on requests (9080 total, 92% granted, 8% denied).

1Of the requests received in FY 2008, 17 requests have not yet been accorded a filing date, and preprocessing of 13 requests was terminated for failure to comply with the requirements of 37 CFR 1.510. See Clarification of Filing Date Requirements for Ex Parte and Inter Partes Reexamination Proceedings, Final Rule, 71 Fed. Reg. 44219 (August 4, 2006).

6.	Total examiner denials (includes denials reserved by Director).....				829
	a. Patent owner requester		441		53%
	b. Third party requester		388		47%
7.	Overall reexamination pendency (Filing date to certificate issue date)				
	a. Average pendency		24.3 (mos.)		
	b. Median pendency		18.9 (mos.)		
8.	Reexam certificate claim analysis:	Owner	3 rd Party	Comm'r	
		<u>Requester</u>	<u>Requester</u>	<u>Initiated</u>	<u>Overall</u>
	a. All claims confirmed	23%	28%	12%	25%
	b. All claims canceled	7%	13%	21%	11%
	c. Claims changes	70%	59%	67%	64%
9.	Total ex parte reexamination certificates issued (1981 – present)				6278
	a. Certificates with all claims confirmed		1595		25%
	b. Certificates with all claims canceled		678		11%
	c. Certificates with claims changes		4005		64%
10.	Reexam claim analysis – requester is patent owner or 3 rd party; or Comm'r initiated.				
	a. Certificates – PATENT OWNER REQUESTER				2667
	(1) All claims confirmed		603		23%
	(2) All claims canceled		204		7%
	(3) Claim changes		1860		70%
	b. Certificates – 3 rd PARTY REQUESTER				3464
	(1) All claims confirmed		974		28%
	(2) All claims canceled		443		13%
	(3) Claim changes		2047		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

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Alexandria, VA 22313-1450
www.uspto.gov

Inter Partes Reexamination Filing Data - June 30, 2008

Table with 7 main categories: 1. Total requests filed since start of inter partes reexam on 11/29/99 (436); 2. Number of filings by discipline (Chemical, Electrical, Mechanical, Design); 3. Annual Reexam Filings (2000-2008 YTD); 4. Number known to be in litigation (243, 56%); 5. Decisions on requests (391 total, 95% granted, 5% not granted); 6. Overall reexamination pendency (Average: 32.7 mos., Median: 31.0 mos.); 7. Total inter partes reexamination certificates issued (27 total, 7% confirmed, 78% canceled, 15% changes).

1Of the requests received in FY 2008, 4 requests have not yet been accorded a filing date, and 7 requests had preprocessing terminated, for failure to comply with the requirements of 37 CFR 1.915. See Clarification of Filing Date Requirements for Ex Parte and Inter Partes Reexamination Proceedings, Final Rule, 71 Fed. Reg. 44219 (August 4, 2006).