

REEXAMINATION AND ITS INTERPLAY WITH LITIGATION

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Ways to attack the validity of a patent

- Litigation
 - All validity defenses available
 - Full discovery
 - Decide all issues in one forum (validity, infringement, inequitable conduct, laches, etc.)
- Reexamination
 - *Limited defenses*: validity over prior patents and publications
 - Estoppel issues
 - Concern that invalid claims will be amended to overcome the prior art
- Changing paradigm
 - Until recently most litigators would strongly advise against Reexamination
 - While this still represents an area of somewhat spirited disagreement, many litigators are coming to the conclusion that Reexamination may be a desirable alternative and/or adjunct to litigation

Until very recently, most litigators have favored litigation over Reexamination

- Full discovery
- No limitation on validity defenses
- Ability to use the litigator's skills
- A belief that the USPTO would likely just confirm the decision of the original examiner
- Discomfort practicing before the USPTO
 - A fish out of water

Problems with litigation

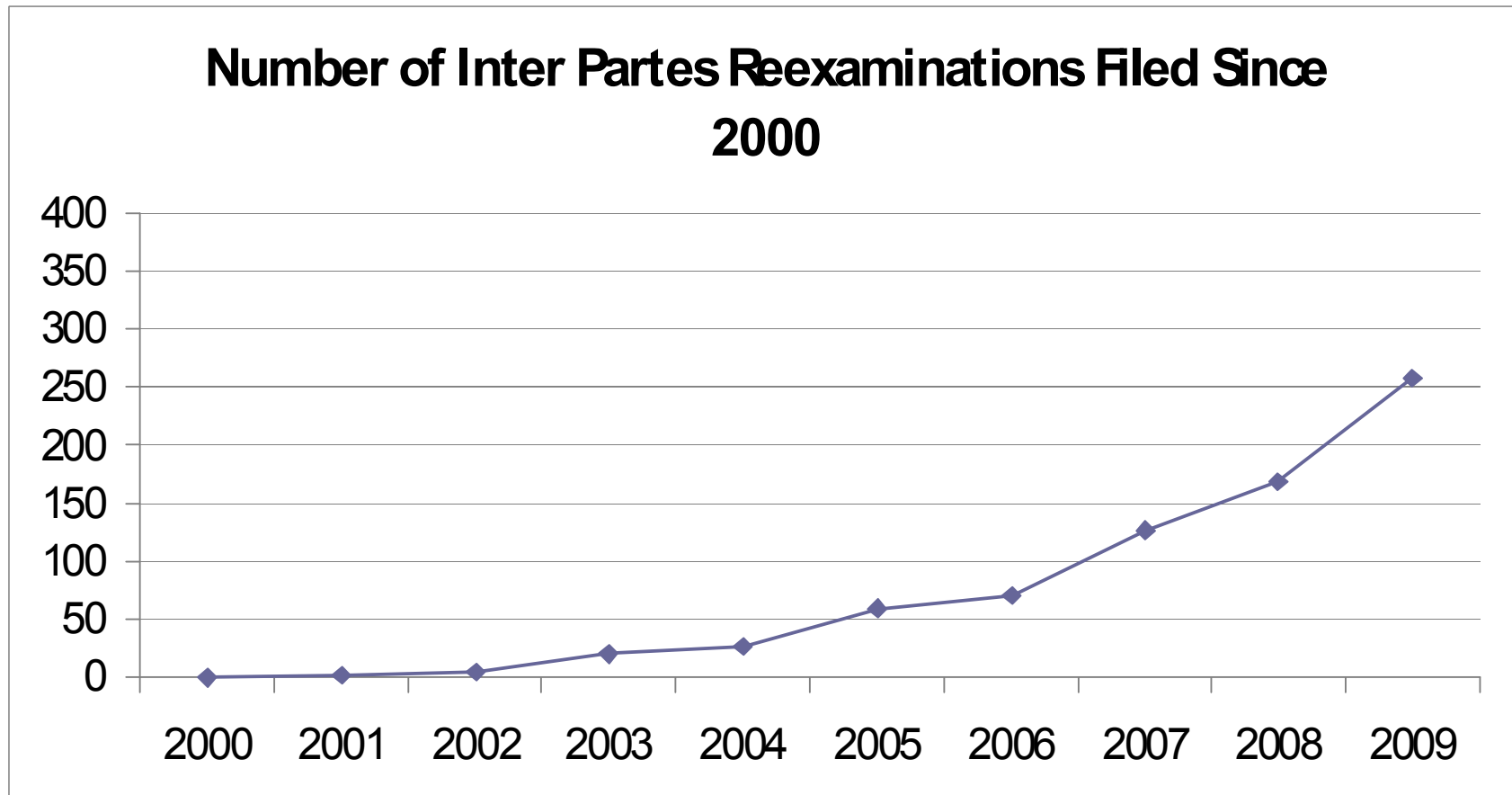
- Cost
- Presumption of validity
- Non-technical jury
- Bad infringement facts influence validity determination
- High win rates for the patent owner

It's time to rethink the strategy

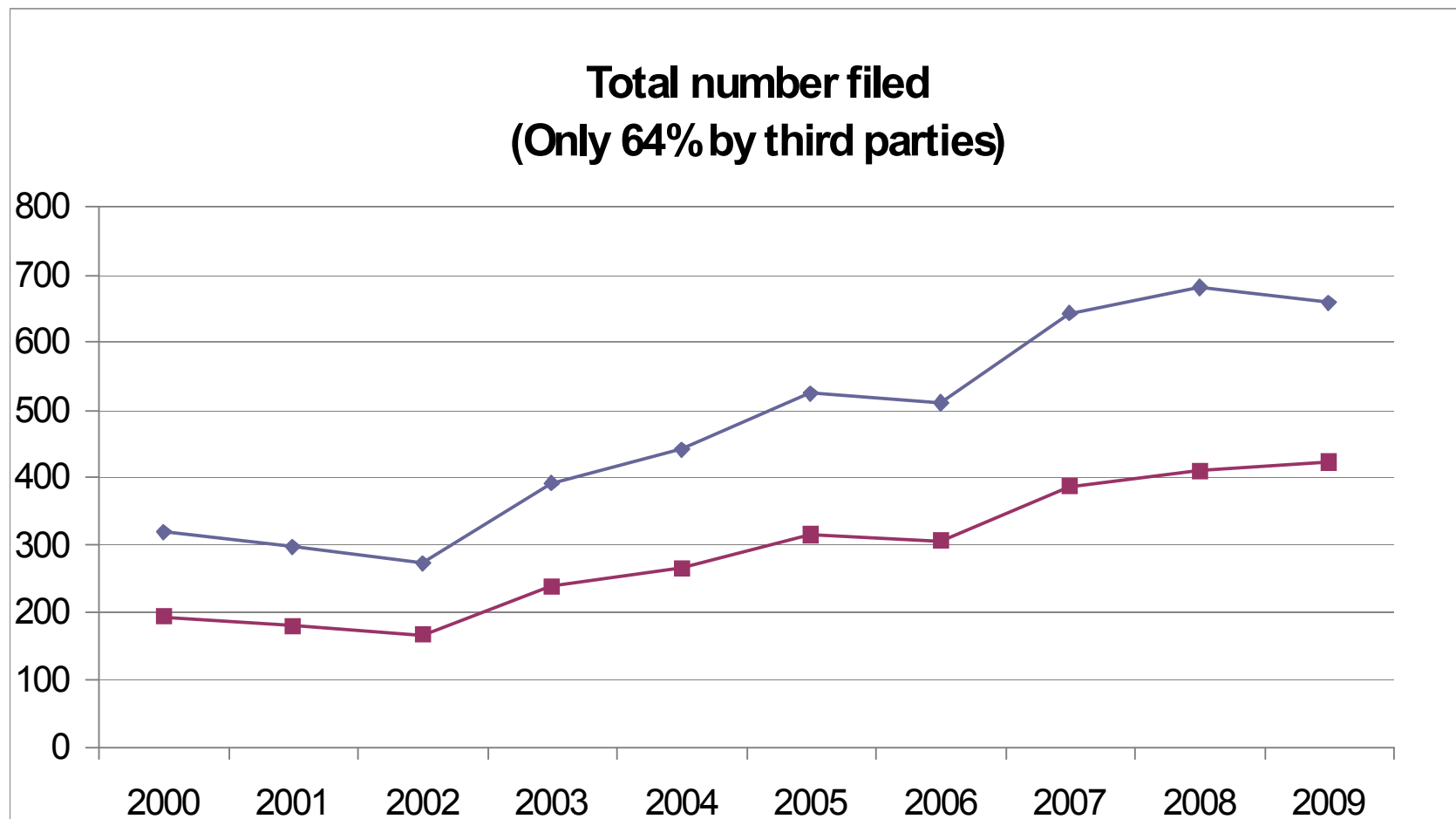
- While every case will turn on its facts, the statistics suggest that reexamination is a very good option
- If the case is stayed the client will likely save millions of dollars
- The estoppel effects of the statute are limited
- Even if the claims are amended to overcome the art, this will, in most cases, be a tremendous victory for the infringer

STATISTICS

Rapidly Expanding Usage

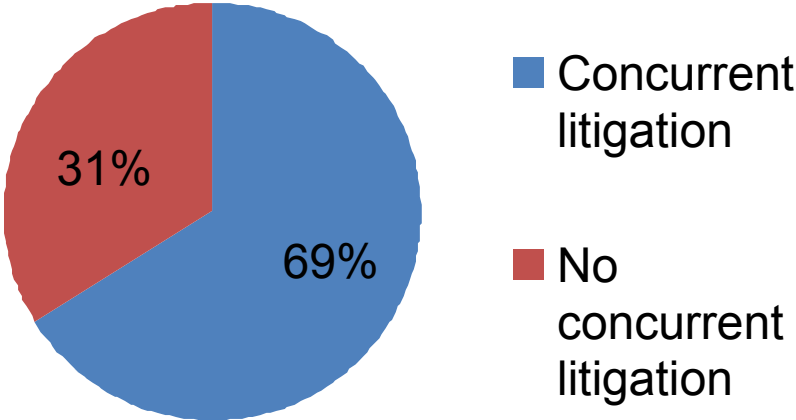


Ex Parte Reexaminations Remain Popular

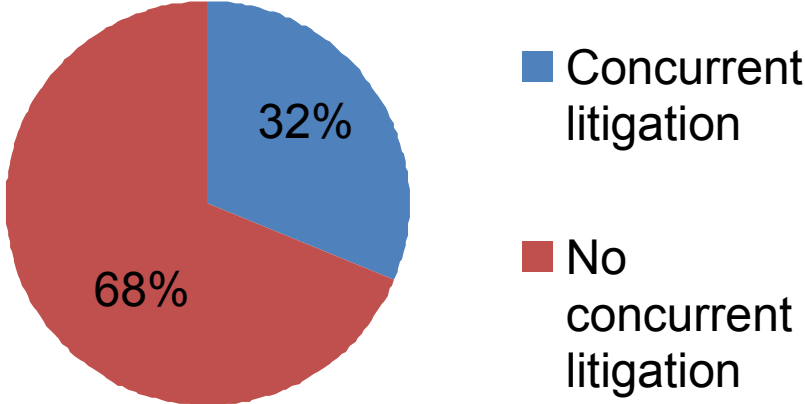


Overlap With Litigation

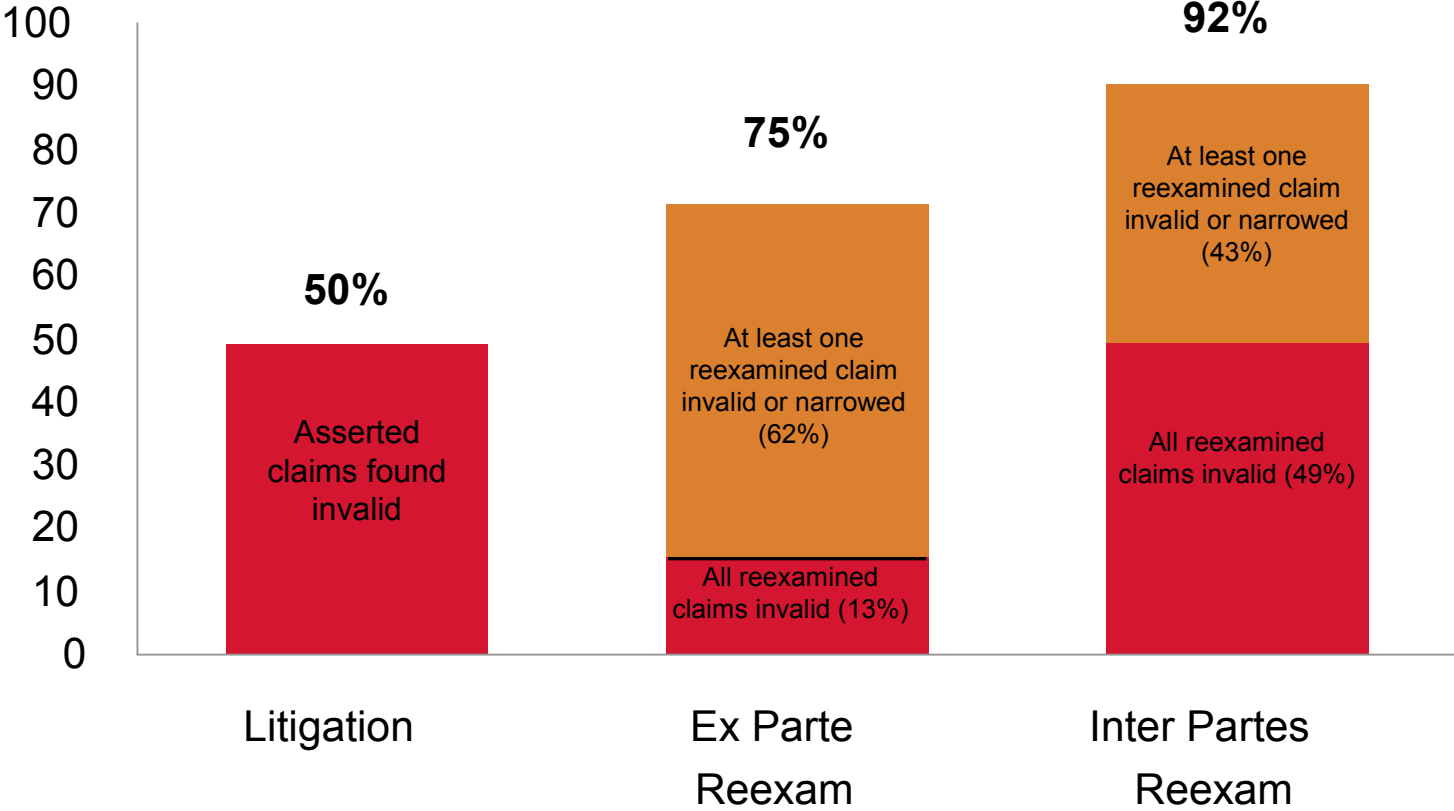
Percent of Inter Partes Reexams involved in concurrent litigation



Percent of Ex Parte Reexams involved in concurrent litigation



Success Rates With Respect to Issues Which Can Be Raised in Reexams



Explanation of Data

- **Litigation Data**
 - Data from 2009.
 - Data looks at the published decisions collected by the University of Houston Law Center Institute for Intellectual Property & Information Law found at <http://www.patstats.org>.
 - Only looks at decisions where the court considered the validity of claims based upon issues that could be raised in Reexamination (prior patents and publications).
- **Inter Partes Reexamination Data**
 - Data from 2000 to June 30, 2010.
 - All claims cancelled in 49% of the cases.
 - At least some independent claims amended in 43% of the cases.
 - All claims confirmed in only 8% of the cases.
- **Ex Parte Reexamination Data**
 - Data from 1981 to June 30, 2010.
 - All claims cancelled in 13% of cases filed by third party Requester.
 - At least some independent claims amended in 62% of cases filed by third party Requester.
 - All claims confirmed in 25% of cases filed by third party Requester.

Changes that Make Reexaminations More Attractive

- Requester in an Inter Partes Reexamination has right of appeal to Fed. Cir. (2002)
- Requester can rely on art already cited in original prosecution as long as you are applying it in a “new light or different way” than it was relied upon in the original prosecution and therefore creates a substantial new question of patentability. (2002)
- The Central Reexamination Unit (CRU) made up of highly trained and skilled examiners. (2005)
- Panel Review. (2005)

Comparison Between Ex Parte and Inter Partes Reexamination

	Ex Parte	Inter Partes
Patents Eligible	Patents filed on or after July 1, 1981	Patents filed on or after November 29, 1999
Issues Considered	Patentability over prior art patents and publications	Patentability over prior art patents and publications
Standard for entering Reexamination	Substantial New Question of Patentability	Substantial New Question of Patentability
Claims considered	Normally only those Requested	Normally only those Requested
Involvement of Requester	Mostly ex parte (but permits serial requests)	Fully Inter Partes
Substantive Interviews	Allowed	Not allowed
Can you hide identity of the Requester?	Yes	No

The Interplay Between Litigation and Reexamination

The Race to Finality Between Inter Partes Reexamination and Civil Litigation

- **If Civil Action is completed first:**
 - Patent Office will not consider the patentability of any claim determined to be patentable in a *final* civil judgment where the Requester was a party.
 - The Inter Partes Reexamination will continue with respect to any claims in reexamination for which there was no final civil judgment.
- **If the Inter Partes Reexamination is completed first:**
 - When the claim(s) is/are finally determined to be *valid*:
 - The *Requester* and his privies will be precluded from raising any issue in a concurrent or subsequent civil action that he raised or could have raised in the Reexamination.
 - When the claim is finally determined to be *invalid*:
 - The *patent owner* will be prevented from asserting those claims in a concurrent or subsequent civil action.
- **As a result, there is a race to finality.**

Practical considerations

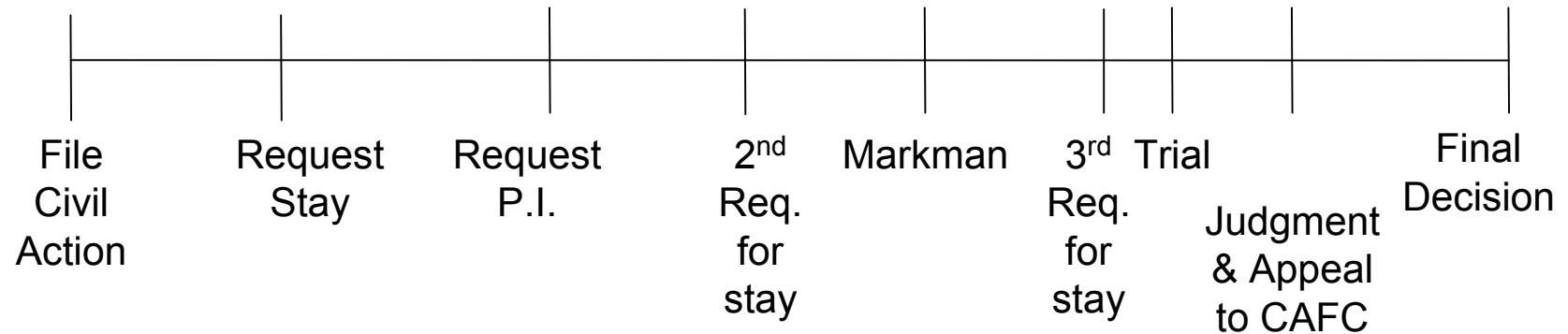
- If there is no stay, the Reexamination will not likely be final before trial.
 - No estoppel
 - Jury not likely to hear about reexamination
- If there is a stay, you will likely get a final determination before trial.
 - You are likely to get a good result
 - Even if you don't get a good result, the estoppel effect is limited
 - However, you have to explain to the jury why they should reconsider the validity of a claim twice approved by the “experts” at the USPTO

Is Reexamination useful if you don't get a stay?

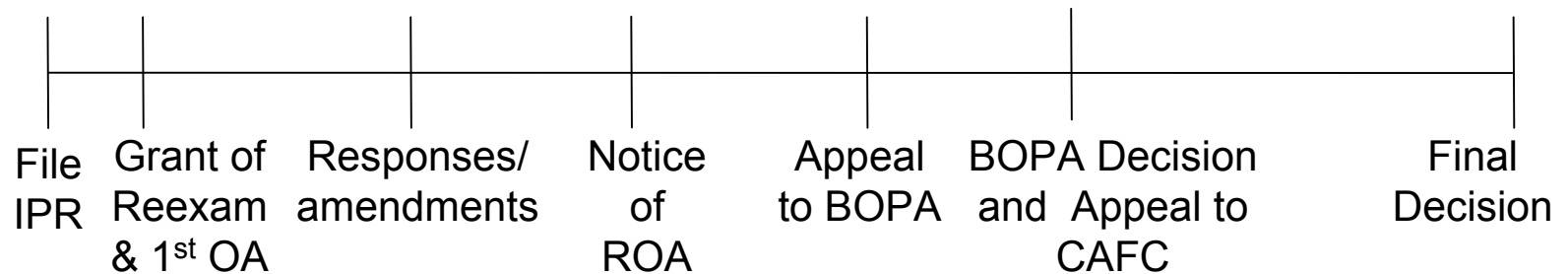
- Reduces likelihood of a preliminary injunction
- Arguments made during prosecution may assist in Markman decision
- May aid in settlement
- May defeat willfulness allegation

The interplay between litigation and reexamination

Civil Action



Inter Partes Reexam



ESTOPPEL

Estoppel

- The statute prevents a third party requester from asserting any claim in civil litigation that he raised “or could have raised” during the reexamination.
- There is ambiguity as to what “could have raised” means:
 - Clearly does not refer to *issues* that could not have been raised
 - Validity over non publication/patent art
 - Enablement
 - Ambiguity of claims
 - Inventorship
 - Inequitable conduct
 - Statutory subject matter

Estoppel

- Does it refer to prior art patents and publications which were not known to the third party requester?
 - There is an ambiguity in the statute.
 - The patent office recognizes this ambiguity and states it will determine the estoppel issues on a case by case basis.
 - The courts have not opined on this issue.

The estoppel appears to be very narrow.

- There have been two cases dealing with the issue of whether a Requester can rely on the combination of art cited in the Reexamination *together with art that could not be cited* (e.g. public use or on sale art) and both have found no estoppel.
 - *Acco Brands, Inc. v. PC Guardian Anti-Theft Products, Inc.*, 592 F. Supp. 2d 1208 (N.D. Cal. 2008)
 - *ESN, LLC v. Cisco Sys., Inc.*, No. 5:08-CV-20, 2008 U.S. Dist. LEXIS 108327 (E.D. Tex. Nov. 20, 2008)

Intervening Rights

Intervening Rights

- With respect to any claim that is *substantively* amended during the reexamination, the third party requester:
 - will have no liability for any past damages with respect to any substantively amended claim
 - will be able to *use or sell* all products *made, used, or purchased before* the grant of the reexamination certificate (unless such activity infringes a non amended claim of the reexamined patent that was in the original patent)
 - may be permitted to continue its infringing activities

Equitable Intervening Rights

Protection of future infringing activities

- Whether to grant equitable intervening rights and the scope of those rights is at the discretion of the court.
- Generally, the goal of a court is to craft a remedy that would allow the infringing party to recoup its investment.
- In exercising its discretion, the court, may allow the defendant to continue its infringing activity for a period of time, with or without restrictions. E.g.,
 - May limit the customers to which products are sold.
 - May limit the infringement to the fulfillment of existing orders.
 - May require payment of a royalty.
 - May limit the time period over which infringing products can be sold.

Stays

Stays

- Factors to be considered:
 - Whether stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party.
 - This is in large part a function of delay
 - Median pendency of Inter Partes Reexamination is 32.0 mos.
 - Median pendency of Ex Parte Reexamination is 19.9 mos.
 - Whether stay will simplify the issues in question and the trial of the case.
 - If claims are not knocked out or amended there will still be a trial on the original claims.
 - But for Inter Partes Reexaminations 50% of time all claims are cancelled.
 - In the other 42% of the time, the claims considered will be of different scope.
 - One court has said that reexamination may actually complicate a case. *Parallel Networks LLC v. Microsoft Corp.*, No. 2:09-CV-172-DF, slip op. at 6 (E.D. Tex. May 10, 2010).
 - Whether discovery is complete and whether a trial date has been set.

Stays

- Highly fact intensive issue.
- Some courts view a given fact as favoring a stay while others view the same fact as weighing against a stay.
- Nationally, 54% of motions to stay are granted.
 - Even in the E.D.Tex stays are becoming increasingly common – 42%.
- Statistics vary greatly by jurisdiction.

Strategies

Should I file a Reexamination?

Can I pursue alternative theories?

What type of Reexamination Should I file?

When should I file?

Pro's and Con's

Issue	Litigation	Inter Partes Reexamination	Ex Parte Reexamination
Cost	High	Low	Low
Success rate	50%	92% (49% all claims cancelled)	75% (13% all claims cancelled)
Presumption of validity	Yes	No	No
Trier of Fact	Judge/Jury	Technical Examiner	Technical Examiner
Involvement	Inter Partes	Inter Partes	Ex Parte
Discovery	Yes	No	No
Art considered	All	Patents and Publications	Patents and Publications
Intervening Rights	n/a	Yes	Yes
Estoppel	Very strong (res judicata)	Limited (issue preclusion)	No

Ex Parte vs. Inter Partes Reexamination

- In most circumstances the increased chance of prevailing will make an Inter Partes Reexamination preferable to an Ex Parte Reexamination.
- Some exceptions:
 - Inter Partes Reexamination is not available.
 - Your best art is publication art and you need to avoid the estoppel issues.
 - When you have already filed an Inter Partes Reexam.
 - When you have already lost in a civil action.

Reasons to File a Request for Reexamination

- Because my chances of invalidating the claims are better before the PTO
 - The statistics suggest that your odds of prevailing are much better in an Inter Partes Reexamination than in a civil action.
 - They are not so clearly favorable in an Ex Parte Reexamination.
 - The presence of the CRU and Panel Reviews at every stage ensures that the USPTO takes a careful look at validity issues and the statistics (and personal experience) suggests that they have a strong propensity to find claims invalid.
 - The *KSR* decision (redefining the obviousness standard) greatly strengthens the position of the examiner.
 - There is a particularly strong reason to prefer a technically trained examiner when the art is sophisticated or the prior art is a “squinting reference.”

Reasons not to file reexamination

- The win statistics for Ex Parte Reexamination are not very good and the risks will often outweigh the benefits.
- If you lose either an Ex Parte or an Inter Partes Reexamination, you have to convince the jury that the “experts” at the USPTO were wrong, *twice*.
 - But weigh that against (a) the need for a technical examiner to understand the art, (b) the statistical chance of victory and (c) your ability to raise different issues (even using some of the same art) at trial.

Alternative strategies

- A typical case will have many potential defenses.
- As a practical matter, you cannot (especially in the E.D. Tex.) assert them all at trial.
- One way to resolve this conundrum is to try the validity defense over prior patents and publications in reexamination and then try the remaining defenses in court.
- Unless your case is stayed, you should pursue all defenses in discovery and leave the final decision of what to present at trial to the pretrial period.

When to File

- Before or at the beginning of the lawsuit
 - Will significantly enhance chance of stay.
 - Enhances chance the Reexamination will be final before trial.
 - Reduces chance of preliminary injunction and a finding of willfulness.
 - May enhance settlement discussions.
- Near the end of the lawsuit
 - Still a chance of obtaining a stay.
 - Issues are more developed and may help Reexamination strategy (you know your best art, infringement contentions filed, Markman decision issued, proposed claim construction submitted, etc.)
- After a final civil action decision
 - An attempt to overturn the final civil action decision – primarily through Ex Parte Reexamination.

Conclusion

- Inter Partes Reexamination has become a significant alternative and/or adjunct to litigation.
- You should be reevaluating your positions on Reexamination and see if it is a useful tool in your litigation strategies.
- Consider each case on a case by case basis.
- Don't be afraid to venture into unfamiliar territory.

THANK YOU

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