

***Inter Partes* Reexamination Becoming Efficient and Effective in Removing Weak Blocking Patents**

In appropriate cases, *inter partes* reexamination is a viable approach to eliminating blocking nuisance patents. Recent statistics at the U.S. Patent and Trademark Office (USPTO) show that greater than 70 percent of *inter partes* reexamination proceedings resulted in cancellation or narrowing of all of the claims identified for reexamination. Advantages include pendency occasionally as short as three years; a more favorable burden of proof for the requester (preponderance of the evidence as opposed to clear and convincing evidence); substantial cost savings due to a lack of discovery in reexamination proceedings; and the opportunity for the requester to monitor and counter the patentee's rebuttal arguments, evidence and amendments at each step of the procedure. There are disadvantages, including the requester is estopped from later asserting that any claim in the patent is invalid for reasons that were raised or could have been raised during the reexamination proceedings; reexamination can only be based on printed publications, preventing questions of inequitable conduct, written description, best mode, enablement and clarity (that affect validity) from being addressed; lack of opportunity for cross-examination of the patentee's expert; and settlement may be difficult once the request for reexamination has been granted.

Situations warranting consideration for reexamination include those in which the prior art provides a strong and clear case for invalidation; the claims cannot be amended to overcome the prior art in such a way that the requester's technology will infringe the amended claims; the requester does not perceive a need for discovery to develop additional theories of invalidity; expert testimony, if required, is strong and not easily disputed; and the requester's strategy is not focused on securing a settlement.

Ex parte reexamination of U.S. patents has been available in the USPTO since 1980. In November 1999, 35 U.S.C. §311 was added to provide an *inter partes* procedure for challenging such patents. Until recently, these procedures appeared to so heavily favor the patent owner that we could not recommend them to our clients except under the most limited circumstances. Now, however, it appears that the tide is turning and that, under a much broader set of circumstances, clients who are confronted with patents of questionable validity that could impinge upon commercial opportunities should consider requesting *inter partes* reexamination.

In some cases, reexamination may provide an economically favorable means to challenge patents that are blocking markets not large enough to justify full-scale litigation. In other cases, reexamination may provide a means for challenging a patent before a product has been subjected to development, entered the market or engaged in clinical trials. This minimizes unnecessary investment of financial and human resources should the challenge be unsuccessful. In other cases, reexamination may be an important adjunct to litigation. In still other cases, parties with limited resources, such as universities, small companies or start-up ventures, have the opportunity to challenge patents without resorting to the courts.



According to statistics from the USPTO, more than 308 requests for *inter partes* reexamination have been filed since November 1999. Seventy-three percent of these requests resulted in cancellation or amendment of *all* the claims that the requester identified for reexamination. This result far exceeds that achieved in litigation. Also, in contrast to a court validity determination, the average pendency of the reexaminations was only about 33 months. In a substantial number of cases, the patent owner elected not even to contest.

Following is a short summary of the *inter partes* reexamination process and its strategic advantages and disadvantages, along with a summary of circumstances that, if present, may point in the direction of reexamination.

PROCEDURAL OVERVIEW

The reexamination procedure can be considered in three stages: examination before a patent examiner, appeal to the Board of Patent Appeals and Interferences (the “Board”), and appeal to the Federal Circuit from the Board’s decision. With the exception of appearances at the hearing before the Board and at the argument of any appeal to the Court of Appeals for the Federal Circuit, the procedure is paper-based. All arguments are submitted in writing, and all data and other evidence are submitted in the form of affidavits. Interviews with the examiner are prohibited.

The reexamination procedure is initiated with a written Request for Reexamination. That request must identify each claim of the patent for which reexamination is requested and must set forth “the pertinency and manner of applying the cited art to every claim for which reexamination is requested.” Thus, the reexamination request will typically include a detailed limitation-by-limitation analysis of each claim in each patent for which reexamination is requested that identifies the teaching(s) in the prior art reference(s) that the requester contends teach or suggest that limitation. Additionally, due to the civil estoppel that attaches upon filing a reexamination request (discussed below in more detail), the request will likely include this analysis for *all* the prior art in the requester’s possession. As a result, reexamination requests tend to be lengthy documents that involve extensive reviews of the prior art.

DETERMINATION OF A SUBSTANTIAL NEW QUESTION OF PATENTABILITY

Once a request for reexamination is filed, the USPTO has three months to determine if there is a substantial new question of patentability affecting any claim of the patent. As a practical matter, it will be rare that the USPTO does not find a substantial new question of patentability. *If* a substantial new question of patentability *is* presented, the examiner will issue an Office Action indicating this and including a rejection of the claims over the prior art that the requester has provided.

CONDUCT OF REEXAMINATIONS

Reexaminations are conducted under the same procedures used in the prosecution of standard or conventional patent applications. Unlike in litigation, the patent owner is permitted to amend the claims to distinguish the invention over the prior art. This is the same procedure practiced under



standard patent examination procedure. However, the scope of the claims cannot be expanded. Also, shortened periods for response (generally one or two months) are provided, with extensions of time available only for good cause. Each time the patent owner files a response to an action on the merits, the third-party requester is given an opportunity to file written comments.

The reexamination process typically involves an initial Office Action, the patentee's response to the initial action and third-party requester comments on the initial Office Action and the patentee's response. If the patentee does not overcome all rejections, the reexamination will involve a second Office Action, a patentee response and a third-party requester response to the patentee's comments. ***All of this will typically occur within about one year of filing the reexamination request.*** At this stage, the rejections are typically either withdrawn or the examiner issues a Right of Appeal Notice, which effectively places the reexamination in front of the Board. In certain cases, the examiner may reopen prosecution by making new and previously unconsidered rejections. If this happens, the process is repeated. However, the USPTO tries to, and generally does, avoid reopening prosecution. If the case is appealed to the Board, both parties have briefing privileges.

ADVANTAGES VS. DISADVANTAGES

There are advantages and disadvantages to the reexamination process that must be carefully weighed in deciding whether to proceed with a reexamination request.

Burden of Proof

One clear advantage to reexamination is the more favorable burden of proof. The burden of proof in a reexamination proceeding is merely a preponderance of the evidence, unlike litigation, in which it is the much higher clear and convincing evidence standard.

Civil Action Estoppel

One important drawback to requesting *inter partes* reexamination is that U.S.C. § 315(c) estops the requester from later asserting that any claim in the patent is invalid for reasons that were raised ***or could have been raised*** during the *inter partes* reexamination proceeding. This means that any attack based on prior art in the possession of the requester must be presented in the reexamination request. Accordingly, the requester does not get a second chance. If the validity attacks underpinning an *inter partes* request are rejected by the USPTO and all appeals have been exhausted, the requester cannot defend subsequent litigation based on the validity defenses that were raised or could have been raised.

Claim Amendments

Another drawback of reexamination proceedings is that the patent owner can amend the claims to overcome the prior art. This cannot happen in litigation unless the patent owner stays the proceeding and files a reissue application. By contrast, to succeed in a reexamination proceeding, the requester must not only invalidate every claim for which reexamination is requested, ***but also any ingenious***



amended or new claim that the patent owner presents that the requester might infringe. This means that, before requesting reexamination, the third-party requester must analyze the patent and anticipate any amendments that the patent owner might make to overcome the rejections. This also means that reexamination may not be recommended if it will simply give the patent owner an opportunity to fix any problems with the patent.

Lack of Discovery

The cost savings in reexamination proceedings are due in large part to the fact that there is no discovery. This does, however, have a price. Reexamination proceedings do not provide the opportunity to find a smoking gun or facts such as prior art reference that the patent owner has withheld, testimony regarding how the invention was made, failed experiments and other facts that might undermine the validity of a patent if litigated.

Expert Testimony

The reexamination proceeding does provide the opportunity to submit expert testimony in the form of expert affidavits; however, in a reexamination proceeding there is no opportunity to cross-examine the opponent's expert. The parties can challenge the testimony of an opposing expert and point out weaknesses in his or her data or theories in their arguments or by submitting opposing expert affidavit(s). The nature of paper-based proceedings is such that opposing expert affidavits are each taken at face value. The examiner will weigh the affidavits in this environment and come to his or her own conclusion regarding which is more persuasive without the benefit of seeing the expert in person or seeing the experts "face off" in a trial setting.

Collateral Attacks Irrelevant

Reexamination is limited to the questions of patentability based upon printed publications. Collateral issues such as inequitable conduct, antitrust violations and patent misuse cannot be addressed and hence have no influence on the outcome.

Early and Adverse Impact on Patent Owner

Given the likelihood that any well-supported request for reexamination will be granted, there is a high probability that within three months of filing the request, the patent owner will be confronted with an official action by the USPTO rejecting the patent claims. In the case of certain technology start-ups, such adverse early decisions can have a seriously negative impact on the financial viability of the patent owner. On the other hand, this may open a door for a start-up trying to obtain financing in the face of a potentially blocking patent.



Settlement

Once a request for reexamination has been granted and the USPTO has rejected the claims in the original patent, the proceeding itself cannot be terminated by the parties. The parties might agree to “put their pens down” and jointly file a letter stating that they agree that the claims of the patent should be confirmed or that an amended version of the claims should be issued, but the USPTO is not bound by this determination. Accordingly, reexamination is not conducive to settlement, and a party may not want to embark on this process if the object is actually a settlement opportunity. A party may consider submitting a request for reexamination to the patent owner before it is filed with the USPTO in an attempt to prompt settlement, but if this fails and the request is filed, working out a settlement can be more difficult than in a litigation setting.

SITUATIONS WARRANTING CONSIDERATION FOR REEXAMINATION

In summary, we believe that *inter partes* reexamination warrants consideration if the following circumstances apply:

- The prior art provides a strong and clear case for invalidation.
- The patentee cannot overcome prior art except by amending the claims in such a way that gives the requester freedom to operate or eliminates protection for the competing embodiment.
- The requester does not perceive a need for discovery to develop additional theories to invalidate the patent such as §112 attacks or attacks based on how the invention was conceived.
- To the extent expert testimony is required to support the request, it is strong and not easily disputed.
- The requester’s strategy is not focused on securing a settlement.

FOR MORE INFORMATION

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