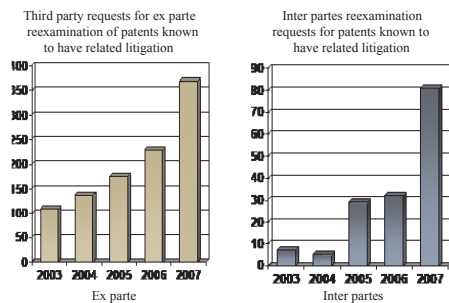


Patent Reexaminations Boom as a Strategy to Fight Infringement Charges

by *Robert M. Abrahamsen*

More companies sued for patent infringement are turning the tables by asking the U.S. Patent and Trademark Office (PTO) to reexamine the validity of their accuser's patent. The dramatic increase in litigation-related reexamination filings in recent years is illustrated in the charts below.¹



As shown, the PTO has seen more than a 3-fold increase (from 109 in 2003 to 369 in 2007) in the number of requests for one type of reexamination, called *ex parte*, while requests for the other type of reexamination, called *inter partes*, jumped more than 10-fold (from 7 in 2003 to 81 in 2007). PTO statistics from the first half of 2008 further indicate that these numbers are continuing their steep upward trend, with the total number of *ex parte* requests being on track to increase by more than 50% as compared to 2007 and the total number of *inter partes* requests in 2008 being poised to more than double that of 2007.²

This article will explore some of the likely reasons for the recent increase in the filing of reexamination requests as a defensive maneuver and will attempt to provide some guidance to companies considering whether reexamination is a good defense strategy for their particular situation.

Reexamination Basics

To invoke a reexamination, a challenger need only raise a substantial new question of patentability—something the patent examiner did not previously consider. This has proven to present a very low bar. A

substantial “new” question can be raised even with prior art that was of record during a prior examination of a patent, provided the patent’s prosecution history does not indicate the examiner passed on the specific question raised by the request. That a district court previously upheld the validity of a patent’s claims also does not preclude the PTO from granting a reexamination request, even when the question raised by the request is identical to that considered by the court.³ Statistics from recent years show the PTO has been granting roughly 97% of the requests it receives.⁴

For a patent’s original claims, the only issue that can be considered by the patent office during reexamination is whether the claims are anticipated by or obvious in view of prior art patents or printed publications. Other issues, such as the sufficiency of written description support, definiteness, enablement, unpatentability over prior art offers for sale or public uses, etc., will not be addressed. Should the patentee add or amend claims during the proceeding, however, the PTO is allowed to consider whether the new or changed claims are definite, adequately supported by the specification, and enabled.

A patentee is allowed to introduce claim amendments during the reexamination proceeding, but is forbidden from broadening the original claims in any material respect. A challenger’s non-infringement position may therefore only get better through the invoking of a reexamination proceeding. The patentee may, however, attempt to narrow the claims to avoid the cited prior art and, at the same time, try to keep the claims broad enough to cover the accused technology of the challenger. Of course, narrowed claims are enforceable only prospectively from the date a reexamination certificate actually issues, typically several years later, meaning that any damages accumulated prior to that date for

infringement of the narrowed claims would effectively be erased. Narrowed claims are also subject to “intervening rights” of the challenger, such that the challenger would be free to sell off any inventory accumulated prior to the issuance of the reexamination certificate containing the narrowed claims and may also be allowed by the court to continue practicing the subject matter covered by such claims, depending on the equities of the particular situation.

There are two types of reexamination available: *ex parte* and *inter partes*. *Ex parte* requests can be filed by anyone. Once you’ve requested one, you’re essentially out of the picture. The reexamination is strictly between the patent holder and the patent examiner. It’s generally been a considered a safer alternative because, win or lose, you are not precluded from raising the same arguments in



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the federal district court trying the case. In spite of an explicit prohibition against later litigating validity issues that were rejected by the PTO, however, convincing a district court to reach a conclusion contrary to that reached by the PTO is an uphill battle.

Inter partes reexamination proceedings are more adversarial, as the party bringing the request gets an opportunity to rebut any arguments or evidence submitted by the patent holder during the proceeding. The challenger is also allowed to appeal a determination by the examiner that the challenged claims are patentable, first to the Board of Patent Appeals and Interferences (BPAI), and then to the Court of Appeals for the Federal Circuit (CAFC). It's a higher-risk, higher-reward strategy because an unsuccessful challenger is precluded from later attacking the validity of the patent in district court based upon "any ground [the challenger] raised or could have raised during the *inter partes* reexamination proceedings."⁵ Because of this "estoppel" provision, with respect to validity defenses based on patents or printed publications, *inter partes* reexamination should be viewed effectively as a substitute for a jury trial on invalidity, with a technically trained patent examiner acting as the fact finder rather than a jury of laypeople. *Inter partes* reexamination is available only for patents that issued from applications filed on or after November 29, 1999.⁶

The Different Standards and Approaches of District Courts and the PTO

The U.S. Patent Statute provides that "[a] patent shall be presumed valid."⁷ That language has been interpreted to require a district court to uphold the validity of a patent unless the challenger presents "clear and convincing" evidence to the contrary. The same is not true of reexamination proceedings. Reexamined patent claims are not presumed valid by the PTO and no heightened standard of proof is required to show such claims are unpatentable. In fact, the PTO does not even purport to evaluate the "validity" of challenged patent claims during reexamination; it instead merely takes a second look at whether such claims are "patentable." As such, a mere "preponderance of

the evidence" is all that is required for the PTO to find claims unpatentable.

Furthermore, the claim construction methodology employed by federal courts is different than that employed by the PTO. In particular, district courts will give disputed terms their "correct" construction under the Federal Circuit's *en banc* decision in *Phillips*,⁸ while the PTO will give claim terms their "broadest reasonable construction." Ambiguous claim language may thus be construed more broadly by the PTO than a district court, potentially allowing the PTO to read that language on a piece of prior art in a way the district court could not.

A challenger should take these different approaches into account when determining whether to request reexamination in a particular circumstance. For example, given the lesser burden of proof required by the PTO as well as the potentially broader construction of claim terms during PTO proceedings, a challenger having a relatively strong invalidity position based on prior art patents and printed publications may very well prefer to invoke an *inter partes* reexamination proceeding and have a technically trained examiner determine whether the challenged claims are unpatentable over such prior art, rather than asking a jury of laypeople, likely with little or no technical training, to make that determination. On the flip side, a challenger having a relatively weak invalidity position may prefer to roll the dice with a jury.

The chart below highlights some of the important differences between the standards and approaches of a district court validity challenge as compared to a PTO reexamination proceeding.

	District Court	PTO
Presumption of validity	Yes	No
Burden of proof	Clear & convincing	Preponderance
Claim construction methodology	Correct construction under <i>Phillips</i>	Broadest reasonable construction
Fact finder	Judge or jury	Technically trained examiner

Cost Considerations

According to a recent survey conducted by the American Intellectual Property Law Association (AIPLA), the median cost for completing all aspects of a patent litigation in which \$1-25 million is at risk is

\$2,500,000.⁹ The survey further reports that one-half of that expenditure (\$1,250,000) relates solely to the discovery phase of the litigation.¹⁰ By contrast, the same AIPLA report estimates that, in 2007, the median cost to prepare and file an *inter partes* reexamination request was only \$15,000, and the median cost to participate in all aspects of the *inter partes* reexamination process (including appeals to both the BPAI and the CAFC) was \$150,000.¹¹ The burdensome and time-intensive "discovery" phase of district court litigation (which does not exist for reexamination proceedings) is perhaps the most significant factor contributing to the difference in expense between the two options.

The chart below highlights some of the key factors that impact the relative expense of the various avenues for challenging the validity/patentability of the claims of a patent.

	District Court	Ex Parte Reexamination	Inter Partes Reexamination
Participation	Exhaustive	Ends at submission of request (or reply to patentee's statement, if filed)	Moderate/continuing
Duration ¹²	Varies by district	24.3 mos. (average) 18.9 mos. (median)	32.7 mos. (average) 21.0 mos. (median)
Discovery	Exhaustive	None	

Median Expense (including all appeals; \$1-25 million at stake)	\$2.5 million ¹³	\$12,974	\$150,000
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Looking at the issue solely from a litigation cost perspective, the reexamination route is by far the preferable alternative, particularly where it appears likely that the court will stay the litigation pending the resolution of the reexamination proceeding. Of course, taking into consideration only the cost of litigation could prove to be a short-sighted decision, as litigation expense will not necessarily be the paramount concern in many situations.

Recent Developments that Have Made Reexamination More Appealing as a Litigation Strategy

The Central Reexamination Unit

In 2005, the PTO formed the Central Reexamination Unit (CRU), a core group of seasoned examiners to which all new reexamination requests are assigned. This

move has increased the public's confidence in the reexamination process for a couple of reasons. First, the past policy of the PTO had been to assign reexamination requests to either the same examiner or the same technology group that had handled the original examination of the patent. That policy created a perception that examiners would be reluctant to "reverse" the earlier decision to allow the patent, as doing so would be to admit that the original examination had somehow been defective. The formation of the CRU's special core of examiners, whose sole job is to second guess the work of others, has alleviated for many the concern about a reluctance to reject previously-allowed claims.

Second, policies have been adopted by the CRU to increase the quality of the work product output by its individual examiners. For example, according to the PTO's Manual of Patent Examining Procedure (MPEP), a "panel review conference" must be held to review an examiner's conclusions prior to the issuance of any office action during a reexamination proceeding.¹⁴ In addition, the MPEP requires that each reexamination case be screened by the Office of Patent Legal Administration (OPLA) before a reexamination certificate can issue.¹⁵

eBay

The U.S. Supreme Court's eBay¹⁶ decision has made *ex parte* reexamination a more attractive option to litigants sued by patentees that do not offer competing products or services. The eBay decision rejected the prior-held notion that injunctions against adjudicated infringers should be granted as a matter of course, and instead requires the district court to apply the traditional test for determining whether equitable relief is appropriate. That test includes, among other things, determinations of (1) whether the patentee will suffer irreparable harm in the absence of an injunction, and (2) whether the patentee can be made whole with money damages. For patentees that do not themselves practice the patented invention or that do not compete with the accused infringer, proving these elements can present a formidable challenge.

Prior to eBay, many companies were reluctant to seek *ex parte* reexamination of patents held by these so-called "non-producing entities" (or, more pejoratively, "patent trolls") for fear that a patentability finding by the PTO, although not binding on the district court, might doom their prospects of success on a subsequent validity challenge in court. Facing the almost certain prospect of an injunction in such circumstances, such companies often opted to challenge the validity of their accuser's patent only in the district court, where they were allowed to take discovery and participate extensively in the process. Now, with the possibility of being enjoined in such suits having diminished considerably, if not evaporated, by the eBay decision, more and more companies are willing to consider seeking *ex parte* reexamination as a defensive maneuver. After all, should the asserted patent escape the *ex parte* proceeding unscathed, the patentee's remedy in such circumstances would likely be limited to the imposition of a reasonable royalty against an appropriate damages base.

KSR

The Supreme Court's decision in KSR¹⁷, although arguably not changing the substantive test for "obviousness," has eliminated the prior-applied requirement for a challenger to point to explicit evidence of a "teaching, suggestion, or motivation" to combine two or more prior art references. Instead, the challenger need only articulate some "reason" why one of ordinary skill in the art would have been led to combine the references as proposed. Once such a "reason" has been identified, the burden shifts to the challenger to marshal evidence or arguments establishing some flaw in the challenger's logic. Absent such a showing by the patentee, the claims at issue will be found invalid for obviousness.

Especially in the so-called "predictable" arts, KSR has undermined a patentee's ability to assert a patent that claims a combination of "old" elements. Since each such old element would have a "known" function, a challenger can assert that the reason one of ordinary skill in the art would have

combined two old elements was to impart the known functionality of each such element to the other. Thus, absent a showing of some unexpected synergy among the elements or some unanticipated advantage yielded by their combination, such claims will be found invalid as obvious.

Accordingly, accused infringers have been emboldened by KSR to seek reexamination of patents in the electrical, mechanical, and other predictable arts, where their obviousness position relies on a combination of old elements that simply perform their respective, known functions.

The Translogic Cases

Last year's decisions in In re Translogic¹⁸ and Translogic v. Hitachi¹⁹ were not so much a surprise as they were an eye opener to patent litigators. In a district court proceeding, Translogic obtained an \$86.5 million final judgment against Hitachi and Hitachi appealed that judgment to the CAFC. In a parallel *ex parte* reexamination proceeding, the PTO finally rejected the patent's claims and Translogic appealed that rejection to the CAFC. The CAFC decided the two appeals on the same day. In one decision, it affirmed the PTO's finding of unpatentability. In the other, it summarily ordered the district court to vacate the \$86.5 million judgment "in view of" its concurrent decision affirming the PTO's unpatentability determination.

The CAFC did not vacate the district court's final judgment against Hitachi because the court had committed some error. It did not, for instance, review whether the district court erred in refusing to grant Hitachi's post-trial motion asking it to find, as a matter of law, that the asserted claims of the patent were invalid. Rather, the CAFC vacated the judgment solely because it had affirmed the PTO's finding of unpatentability. In fact, the grounds upon which the CAFC affirmed the PTO's unpatentability finding had not even been presented to the jury or raised by Hitachi in its post-trial briefs.

The Translogic cases thus illustrate how useful a reexamination filing can potentially be as a "back up" line of defense to a parallel validity challenge in district court.

The Passage of Time

As noted above, *inter partes* reexamination is an option only for patents that issued from applications filed on or after November 29, 1999. Accordingly, the increase in that type of reexamination requests is no doubt due in significant part to the simple fact that the number of patents that have issued from applications filed after that date has increased in recent years.

Recent *Inter Partes* Reexamination Success Statistics

According to PTO statistics, for all of the reexamination certificates that had issued from *inter partes* reexamination proceedings as of June 30, 2008, 78% of them have cancelled all of the reexamined patent's claims, 15% have effected changes to the claims, and a mere 7% of them have confirmed the patentability of all reexamined claims. Although these statistics are based upon a relatively small sample set (only 27 issued certificates), the "all claims canceled" rate of 78% will likely entice many more litigants into using *inter partes* reexamination as a defense strategy, or at least giving it more serious consideration. It should be appreciated, however, that this figure will likely decrease over the years, as this initial set of issued certificates likely represents primarily the low-hanging fruit on which challengers were willing to risk employing the previously-untested *inter partes* reexamination process in order to pick.

Conclusion

Reexamination filings, both *ex parte* and *inter partes*, are skyrocketing, and for good reason. Recent changes in how the PTO handles such requests, as well as recent developments in United States patent law, have greatly enhanced the attractiveness of reexamination as a litigation strategy.

Footnotes

1. From "United States Patent and Trademark Office, Performance and Accountability Report, Fiscal Year 2007," Tables 13A-B, available at http://www.uspto.gov/web/offices/com/annual/2007/50313a_table13a.html and <http://www.uspto.gov/web/offices/com/>

[annual/2007/50313b_table13b.html](http://www.uspto.gov/web/offices/com/annual/2007/50313b_table13b.html).

2. From "Ex Parte Reexamination Data – June 20, 2008," available at http://www.uspto.gov/web/patents/documents/ex_parte_june2008.pdf, and "Inter Partes Reexamination Data – June 30, 2008," available at http://www.uspto.gov/web/patents/documents/inter_partes_june2008.pdf.

3. See In re Swanson, 540 F.3d 1368 (Fed. Cir. 2008).

4. The numbers of reexamination requests granted and denied for each of 2003-2007 are reported in the tables referenced in note 1 above.

5. See 35 U.S.C. § 315(c)

6. The CAFC recently clarified that, in determining whether *inter partes* reexamination may be requested of a particular patent, it is the filing date of the application that actually issued as the patent that must be on or after November 29, 1999, even if such application was a continuation or continuation-in-part of another application that was filed prior to November 29, 1999. See Cooper Technologies Co. v. Dudas, 536 F.3d 1330 (Fed. Cir. 2008).

7. See 35 U.S.C. § 282.

8. Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005).

9. From AIPLA Report of the Economic Survey 2007 ("AIPLA Report") at 25, available for purchase from the American Intellectual Property Law Association (www.aipla.org).

10. The AIPLA report additionally indicates that, for patent suits where less than \$1 Million is at stake, the median cost to complete discovery is \$350,000 and the median cost to complete all aspects of the case is \$600,000; and, where more than \$25 Million is at stake, the median cost to complete discovery is \$3,000,000 and the median cost to complete all aspects of the case is \$5,000,000. Id.

11. The AIPLA report indicates that the median reported cost for invoking an *ex parte* reexamination proceeding was \$12,974. AIPLA Report at I-82.

12. From "Ex Parte Reexamination Data

– June 20, 2008," available at http://www.uspto.gov/web/patents/documents/ex_parte_june2008.pdf, and "Inter Partes Reexamination Data – June 30, 2008," available at http://www.uspto.gov/web/patents/documents/inter_partes_june2008.pdf

13. As noted above, this figure represents the median expense for handling *all* aspects of a patent litigation and not merely the validity issues that would be addressed in a reexamination proceeding. The number would be considerably lower in cases where a court granted a challenger's motion for partial summary judgment of invalidity, thus obviating the need to fully litigate the other issues in the case.

14. See Manual of Patent Examining Procedure (MPEP), Eighth Edition, Revision 6, §§2271, 2287, 2673.02(III), 2676.

15. See Manual of Patent Examining Procedure (MPEP), Eighth Edition, Revision 6, §§2289, 2689.

16. eBay, Inc. v. MercExchange, LLC, 126 S. Ct. 1837 (2006).

17. KSR Int'l Co. v. Teleflex Inc., 127 S. Ct. 1727 (2007).

18. In re Translogic Tech., Inc., 504 F.3d 1249 (Fed. Cir. 2007).

19. Translogic Tech., Inc. v. Hitachi, Ltd., 2005-1387 (Fed. Cir. 2007) (unpublished).

20. From "Inter Partes Reexamination Data – June 30, 2008," available at http://www.uspto.gov/web/patents/documents/inter_partes_june2008.pdf.