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Underutilized Patent Reexaminations Can Improve Business Strategy

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Patents deployed for strategic business purposes in a licensing or litigation context must be carefully studied to determine the strength of their claims. For potential licensors, licensees, plaintiffs or defendants, ascertaining the strength of the patent claims is an important factor in understanding whether a patent will withstand an attack on its validity and scope. At stake may be millions of dollars in licensing fees or patent damages awards. With such high stakes at issue, one potentially valuable administrative process available to determine the validity of patent claims is a patent reexamination. What is patent reexamination? What are the pros and cons when devising business and legal strategies involving this potentially useful, but underutilized, process?

A reexamination is an administrative process in the U.S. Patent Office in which a previously issued U.S. patent is examined to determine whether claims of that patent are valid (and patentable) in view of prior art reference documents. Reexamination can be either *ex parte* per 35 USC Section 301, *et seq.*, or *inter partes* per 35 USC Section 311, *et seq.*

Ex parte means the reexamination proceedings are primarily between an examiner at the Patent Office and a patent owner. *Ex parte* patent reexamination was first introduced in 1980. Congress' intent behind reexamination, as noted by the Federal Circuit in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985), was (1) to settle validity disputes more quickly and less expensively than protracted litigation, (2) allow courts to refer patent validity questions to the Patent Office and (3) reinforce investor confidence in certainty of patent rights by providing the Patent office with a broader opportunity to review doubtful patents.

Patent owners have found advantages of *ex parte* reexamination to include determining the validity and scope of their patents in a less threatening environment than litigation. Moreover, patent owners have control over the process because they may amend their claims, present

arguments to the examiner and interview the examiner in an effort to maintain a valid patent in view of the prior art. However, a significant risk for patent owners is invalidation of their patent if the examiner and appeals process finally reject all claims.

For third parties, a benefit of *ex parte* reexamination is challenging a patent in a less costly forum than in litigation. Further, for complex technology a patent examiner may have better perspective to analyze invalidating prior art than judges and juries. Strategically, the third-party may use the process to limit the claims sufficiently to avoid infringement or stay a patent litigation or judgment in court until the Patent Office has an opportunity to determine the validity of the patent. However, despite Congress' intent behind *ex parte* reexamination, third parties have not used the process as frequently as anticipated. One reason is third parties are unable to partake through the entire proceedings in a meaningful manner.

To address these concerns Congress introduced *inter partes* reexamination as a part the American Intellectual Property Act of 1999. *Inter partes* means that the third-party may actively participate in the reexamination process between the examiner and the patent owner. Hence, third parties have an opportunity to actively argue or present evidence in rebuttal during the process. The third-party may also appeal an adverse decision by an examiner to the Patent Office Board of Appeals and Interferences, the U.S. District Court for the District of Columbia, or to the Federal Circuit. See Patent and Trademark Authorization Act of 2002 ("Amendment"). Strategically, because the process is not burdened by rules of litigation (*e.g.*, discovery, motions, *etc.*), *inter partes* reexamination can be faster at resolving disputes. Further, unlike litigation, patents are not presumed valid in *inter partes* reexamination. Therefore, a third party does not have to provide "clear and convincing" proof to invalidate a patent. Thus, for complex technology it may be easier to convince an examiner to invalidate or narrow patent claims rather than a judge or jury.

However, there are two significant drawbacks of inter partes reexamination. First, it is only available for reexamination of patents filed on or after Nov. 29, 1999. Hence, the process is unavailable to challenge a substantial number of patents. Second, the third-party is estopped from later asserting in any civil action, or in a subsequent inter partes reexamination, the invalidity of any claim finally determined to be valid on any ground the third party requester raised or could have raised in the inter partes reexamination. Hence, without alternative prior art available, a third party could be defenseless in subsequent invalidity challenges in the Patent Office or in court.

Below is a brief overview of the reexamination processes. The overview describes processes applicable to both ex parte and inter partes reexamination and ex parte and inter partes reexamination specific processes.

Patent Office rules provide that any person at any time during the period of enforceability of a patent may initiate reexamination. The Patent Office, the patent owner, or a third party may initiate a reexamination process. When initiated by a third party, that third party need not identify themselves in ex parte reexamination. By contrast, in inter partes reexamination the third party must identify themselves as the real party in interest because the third party (including its privies) may not file subsequent inter partes reexamination requests while one is pending.

Both ex parte or inter partes reexamination may be initiated when there is “a substantial new question of patentability.” This new question of patentability must be based upon prior art, namely another patent or printed publication. Prior to the Amendment, only prior art not previously before an examiner at the Patent Office could be used to initiate a reexamination proceeding per *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997). The Amendment overturned the ruling in *Portola Packaging* so that any prior art document, including one previously cited, can now be used to initiate reexamination provided it raises a substantial new question of patentability.

As noted above, the ex parte reexamination process ultimately involves only the examiner and the patent owner. Nevertheless, when a third party initiates reexamination, the process is initially quasi-inter partes. Specifically the third party files a Request for Reexamination (“Request”), which sets forth a substantial new question of patentability of the patent claims using at least one prior art document. Within three months, the Patent Office determines whether to grant the Request. If the office agrees to grant it, the

patent owner may optionally file a Patent Owner’s Statement (“Statement”) in response to the initiation of reexamination. The statement must point out why the patent claims are not anticipated or rendered obvious by the prior art. If the patent owner files the statement, the third party can file a Reply to the Statement (“Reply”). Thereafter, the third party does not participate in the reexamination process, although the third party is sent copies of all the papers in the proceeding.

As between the examiner and the patent owner, the remainder of the ex parte reexamination process is very similar to examination of a patent application. Specifically, an examiner issues an Office Action setting forth whether claims are rejected and on what basis. Thereafter, the patent owner must respond within a set time limit. Once the claims are acceptable to the examiner, the Patent and Trademark Office issues a reexamination certificate that shows which claims were reexamined and their present scope.

As previously noted, in inter partes reexamination a third party actively participates in the reexamination proceedings. Initially, inter partes reexamination begins similarly to ex parte reexamination with the filing of a Request and consideration by the Patent Office. If the Patent Office orders an inter partes reexamination, an examiner provides an Office Action that details whether and what claims are rejected and on what basis. The patent owner must respond to the Office Action within a set time limit, including making claim amendments where necessitated. Thereafter, the third party may respond each time the patent owner files a response. Thus, the third party can present new arguments and submit new evidence in rebuttal if the patent owner presents new evidence or raises new issues relating to patentability.

With careful consideration of its pros and cons in matters involving patent strategy, patent licensing, or patent litigation, reexamination can be a strategic, cost effective mechanism to either strengthen (as a patent owner) or weaken (as a third party) a patent portfolio. Moreover, both Congress and the Patent and Trademark Office are carefully monitoring reexamination to determine how to make the process more equitable for third parties with respect to estoppel issues. As this area of patent law continues to evolve, patent reexamination may gain further momentum as a strategic business and legal mechanism.

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