

**INTER PARTES REEXAMINATION: The USPTO
ALTERNATIVE TO PATENT LITIGATION**

by:
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Crippled by Congress, shunned both for limited rights of appeal and express estoppel provisions, and written out of the USPTO's 21st Century Plan, the *inter partes* reexamination proceedings have had a troubled start. Nonetheless, *inter partes* reexamination remains a significant strategic tool for competitors and defendants. *Inter partes* reexamination is primarily a strategic proceeding for competitors, defendants, potential defendants, and those with marketing problems that involve patents.

Inter Partes reexamination under 35 U.S.C. 311 *et seq.* first became available at the end of April 2001. The statute was born with the limitation that it was available only for patents filed on or after November 29, 1999. While still available only for new patents, Congress expanded the right of appeal in November 2002 by allowing Requestors the right to appeal a decision for patentability to the Federal Circuit. This change has encouraged use of *Inter partes* reexamination as seen from the rise in *inter partes* reexam filings afterwards: 20 of the 26 *inter partes* reexamination cases filed to date were filed after November 2002. This is not bad for a proceeding that still does not have a section in the Manual of Patent Examining Procedure. (New section 2600 is still in draft and will address *inter partes* reexamination.)

OVERVIEW

Procedurally, *inter partes* reexamination is one small step from the current *ex parte* reexamination so it should be familiar terrain. Indeed, the original Request looks the same except for a much bigger filing fee (\$8800 v. \$2520), the need for service of the Request on the Owner, and the need for documentary evidence of unpatentability.** Additionally, the Asecond bite@ practice still seems to be available under 37 CFR ' 1.989. (A reexamination Asecond bite@ refers to the practice of filing an *ex parte* reexamination request with art that was not included in the original *inter partes* reexamination request and then having the proceedings merged under the *inter partes* reexamination rules.)

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** Please note that "unpatentability" is the term used in USPTO proceedings. "Invalidity" is the term used in court proceedings where a presumption of validity applies. Not a key issue, but the different terminology reflects the different perspective of the USPTO towards patent grants.

The differences are more apparent as the proceedings come to the end of the prosecution.

The examiner:

- issues an *Action Closing Prosecution*,
- receives any last comments from both parties, and
- issues a *Right of Appeal Notice* (equal to a *final action* per 37 CFR 1.951(c)).

Appeals and cross-appeals are available with a change in title to *Appellant* (the one who appeals the decision) and *Respondent*. The same party can be both an *Appellant* and a *Respondent* depending on the issues under discussion.

CURRENT STATUS OF THE 1ST 20 *INTER PARTES* REEXAMINATIONS

There have been 26 Requests for *inter partes* reexamination filed from April 2001 to September 2003. After entering the reexam, the early cases saw a number of amendments encounter objections as to form of the amendment with a one month period for correction.

| <i>Reexam Serial No.</i> | <i>Request Date</i> | <i>Status As of Sept 8, 2003</i> |
|--------------------------|---------------------|--|
| 95/000 001 Chemical | July 27, 2001 | 2 nd Non-final action mailed 1/31/03; No Owner Response, Awaiting Notice to Issue Reexam Certificate |
| 95/000 002 Chemical | Dec 17, 2001 | 1 st Action 3/6/02; Owner Response (conforming) filed 10/16/02; Quayle action mailed 6/2/03; Notification of informal amdt 8/18/03 |
| 95/000 003 Chemical | Jan 8, 2002 | 1 st Action mailed 4/4/02; Owner Response (conforming) filed 7/9/03; Requestor Comments filed 7/3/02; Decision to merge with <i>ex parte</i> reexamination filed by Requestor to cite additional art 1/30/03; Owner Response 2/28/03; awaiting examiner action |
| 95/000 004 Mechanical | Jun 13, 2002 | 1 st Action 7/26/02; Notice of Intent to Issue Reexam Certificate 12/20/02 |
| 95/000 005 Mechanical | Jul 15, 2002 | (pending litigation - Request filed by Defendant) Reexam ordered 9/13/02; Merged with concurrent proceeding 12/13/02 |
| 95/000 006 Mechanical | Dec 4, 2002 | 1 st Action mailed 2/6/03; Owner Response 4/7/03; Requestor Comments 5/7/03; awaiting examiner action |

| <i>Reexam Serial No.</i> | <i>Request Date</i> | <i>Status As of Sept 8, 2003</i> |
|--------------------------|---------------------|--|
| 95/000 007 Mechanical | Dec 16, 2002 | 1 st Action mailed 3/12/03; Petition entered 5/6/03 |
| 95/000 008 Mechanical | Dec 20, 2002 | 1 st Action mailed 2/25/03; Owner Response (conforming) filed 5/15/03; Requestor Comments (?) filed 5/13/03; awaiting examiner action |
| 95/000 009 Chemical | Jan 8, 2003 | Notice of Appeal filed 8/27/03 |
| 95/000 010 Mechanical | March 12, 2003 | 1 st Action mailed 6/11/03; Owner Response filed 8/5/03; Requestor Comments filed 8/20/03; awaiting examiner action |
| 95/000 011 Electrical | April 17, 2003 | Terminated following Decision vacating order to reexamine following Consent Judgment in district court |
| 95/000 012 Mechanical | May 8, 2003 | 1 st Action mailed 7/22/03 |
| 95/000 013 Chemical | May 15, 2003 | 1 st Action mailed 7/29/03 (related patent to Request 95/000 002) |
| 95/000 014 Electrical | May 16, 2003 | 1 st Action mailed 7/18/03 |
| 95/000 015 Mechanical | May 20, 2003 | 1 st Action mailed 7/29/03 |
| 95/000 016 Biotech | May 21, 2003 | 1 st Action mailed 8/8/03 |
| 95/000 017 Mechanical | May 20, 2003 | 1 st Action mailed 7/29/03 |
| 95/000 018 Mechanical | May 30, 2003 | 1 st Action Mailed 8/29/03 |
| 95/000 019 Mechanical | June 3, 2003 | Court action vacates Determination Ordering Reexam |
| 95/000 020 Electrical | May 29, 2003 | Reexam ordered |

An analysis of the inter partes reexam requests filed by October 2003 show that mechanical technologies seem to be the biggest first users. Perhaps this trend may be more reflective of the faster speed to market for mechanical inventions (thereby generating a potential conflict shortly after issue of the patent) and/or a faster examination proceeding thru the USPTO.

Chemical - 5
Mechanical – 11 (reexams 21-26 are all mechanical)
Electrical - 3
Biotech - 1

ADVANTAGE REQUESTOR

Inter partes reexamination evens the competitive landscape when confronting a competitor with blocking patents. The procedural advantages with *inter partes* reexamination are significant and useful if trying to remove the patent from consideration in a manner that is effective, economical, least likely to introduce bitter feelings in what may already be a tense relationship. Although it shares some common advantages with *ex parte* reexamination over the litigation process when the issues center on patent validity, *inter partes* reexamination has a number of advantages and relatively minor disadvantages over litigation:

Advantages for the Requestor

- ☞ An Opportunity to Respond B *Inter partes* reexamination allows the Requestor to respond to the Patentee's arguments with supplemental arguments and evidence (30 days to respond - FRCP 3 day mailing allowance does not apply for counting)
- ☞ Appeal B *Inter partes* reexamination allows the Requestor to appeal an examiner's decision for patentability to the Board as well as the Federal Circuit. Cross appeals are permitted so both parties can appeal adverse decisions (interferences model).
- ☞ Fast B The entire process is expedited and treated with Special Dispatch: two months for the examiner to decide whether to proceed (one month if in litigation), two months for the Patentee to respond, and 30 days for Requestor rebuttal comments. There are no extensions of time other than for sufficient cause and by no means automatic.
- ☞ The Owner is subject to the continuing duty of disclosure of information material to patentability. The Requestor is not although the estoppel provisions should be more than sufficient to elicit all relevant information.
- ☞ There is no presumption of validity B *In re Etter*, 756 F.2d 852, 225 USPQ 1 (Fed. Cir. 1985). The value of the prosecution standard rather than the litigation standard can be a key factor in the resolution of doubts or ambiguities in the strength or teaching of a reference.
- ☞ Claims are given the broadest reasonable interpretation that is consistent with the specification. (MPEP ' 2258(I)(G)). The examiner will not try to construe the claims in a manner that tries to preserve patentability unless the patent under reexamination is an expired patent, which cannot be amended. (Id.) This standard may be particularly useful to

challenge unduly broad Owner assertions of Ameans plus function@ claims or to extract a claim interpretation that does not encompass embodiments of concern.

- 👉 Reexams Are Easy To Start B Reexamination only requires a Asubstantial new question@ rather than a Aprima facie@ case of unpatentability in order to initiate the reexamination. (See, MPEP 2242 - defining standard in context of *ex parte* reexam).
- 👉 In re Portola is overruled B Requestors may once again use and cite the art originally considered or at least cited into the file. A court will tend to give deference to the original examiner-s experienced interpretation of the patent. In reexamination, however, an equally skilled examiner may view the same reference differently. With the help of an explanatory declaration in the Request, the chances are better that a good, but previously unappreciated, reference of record may be given the importance it deserves.
- 👉 There are no interviews with the examiner by any party. Everything is on the record.
- 👉 A More Complete Record B New arguments presented by the Owner can introduce new prosecution history estoppel and may force the Owner to choose among claim interpretation options that limit the claims. Omissions or misrepresentations to the examiner can be the basis for a defense of unenforceability based on inequitable conduct. In my view, the more the patent owner says, the better my chances of finding a defect or in restricting the claims.
- 👉 Amendments to the claims provide possible intervening rights. Your client might not be able to expand the business much, but it the availability of intervening rights may buy enough time to help redesign the product, find alternatives, or negotiate a license.
- 👉 A new examiner is used for all reexaminations B There is no fight against the original examiner-s ego or emotional need to confirm the original examination. Additionally, examiners have access to internal reexamination experts as an added quality measure.
- 👉 Cost B *Inter partes* reexamination thru the USPTO can address the issue of patentability, including the enhanced filing fee, for less than \$50,000 before experts in the technology and the law. The 2001 AIPLA survey notes a median cost of patent infringement litigation in Texas to be \$500,000 (less than \$1 million at risk) and \$1.5 million (\$1-\$25 million at risk). *Inter partes* reexamination costs 3-10% that of a judicial proceeding.
- 👉 There is no discovery or cross examination B I consider this to be an advantage to the Requestor because the Requestor-s Comments are filed after the Owner-s Response, and the Owner has no right to file another response. The Requestor and any declaration submitted with the Comments get the last word before the examiner makes a decision. In my case, the examiner apparently found the declaration useful and used it in his 2nd Action. Perhaps out of recognition that the Owner had not responded to that declaration, the examiner did not make the 2nd Action an AAction Closing Prosecution.@ Had the Owner elected to proceed, a nonfinal status allowed the Owner to respond and rebut the facts in my declaration with his own declaration challenging any facts or assertions believed to be inaccurate.

- ☞ Admissions Can Be Used B If you do get into a litigation and happen to get an admission as to one or more facts that you believe sufficient to resolve validity, a reexam request can be filed for unpatentability based on the key patents or publications in view of the Owner's admission. See, MPEP ' 2258(I)(F).

Disadvantages for the Requestor

- ☞ Estoppel by Rule B *Inter partes* reexamination codifies an estoppel against the Requestor that precludes the Requestor from contesting validity in a later proceeding on evidence that was or should have been known at the time of the reexam. 35 U.S.C. ' 135(c). The estoppel rule may be viewed as expressing the practical effects of unsuccessfully contesting the patent by any other proceeding and then trying to re-visit the issue later. The largest effect of the estoppel rule will be the prevention of patent owner harassment by an unrelenting competitor.
- ☞ Very Short Period to File Rebuttal Comments B There is no allowance for delay in mail delivery for service of the Owner's Response. A short rebuttal period and the need for documented rebuttal evidence requires a Requestor who is willing to devote the technical resources necessary to file a complete rebuttal.
- ☞ No District Court Review B *Inter partes* reexamination does not permit the Requestor to pursue an appeal by way of a district court review as in Section 145. (This is consistent with the desire for written proceedings on limited patentability issues.) Thus, the original case for unpatentability needs to be made as completely as possible with supporting explanatory declarations to explain nuances in the technology, details of the ordinary skill level, and possible commercial reaction to the invention if commercial success is likely to support patentability. Declarations can also be submitted in the rebuttal Comments to explain or disprove allegations made to the examiner by the Owner.

MORE ATTRACTIVE THAN LITIGATION, IN THE RIGHT CASE

In the right set of circumstances, *inter partes* reexamination can be a very effective procedure to mitigate the litigation process or avoid being named in the first instance. *Inter partes* reexamination is best suited for cases in which:

- 1. There is only one patent involved and its validity resolves the case.**
 - If the conflict also includes trademark, unfair trade, contract, or other business matters, reexam can still help by lowering the overall cost, reducing number of issues to be tried, and decreasing possibility that the hard technical issues in the patent might get lost among the more conventional legal issues.
- 2. Requestor has one or more *Agood* references based on anticipation or has a closely linked obviousness case that could be *Afilled in* or explained with a fact-based declaration.**
 - The case for unpatentability must be proved by patents or publications, the clearer the better. The examiner can raise new issues under Section 112 only as to new or amended claims. If your best case for invalidity is anything other than for anticipation or obviousness (including obviousness-type double patenting per MPEP ' 2258(I)(D)), reexam is not for you.
 - Always file an explanatory declaration. The ability to underscore, explain, and provide perspective about the references is what a good witness will do in court. The same principle applies in an *inter partes* reexamination proceeding, and MPEP ' 2258(I)(E) expressly provides for the use of explanatory declarations. Examiners like to hear from those working in the art to get the *Areal* story (even if that story is written by the lawyer).
- 3. The case for unpatentability is solidly based on well-established patent law principles or MPEP practice.**
 - Examiners are reluctant to make new law during regular examination proceedings, so they will be unlikely to do so under the scrutiny of an *inter partes* reexamination proceeding.
- 4. The Requestor does not need discovery to make a case for unpatentability.**
 - For a well-documented case of unpatentability, no discovery should be needed. Ambiguous publication dates or facts in the possession of third parties can be resolved by some advance investigation and a declaration.
 - The lack of discovery means that Requestors must be prepared to perform and present an affirmative set of examples or tests to prove or disprove key facts, where the technology and issues of patentability warrant. Any such tests should be accurate because they will likely be subject to dispute in a subsequent Owner response.
- 5. Where the relationship between the Owner and the Requestor should not be**

damaged.

- Reexamination is one step removed from the interactivity necessitated by litigation. This distance helps reduce the development of animosity and blood between the parties and can minimize additional harm to the relationship. Reexam is well-suited for patent conflicts involving customer-supplier, friendly competitors, and joint developers of a technology where the development continues.

THE FUTURE PLANS OF REEXAMINATION AT THE USPTO

While simultaneously expressing concern about increasing pendency and appeals before the Board, the USPTO has announced plans to scrap the *inter partes* reexamination proceedings. Whether and when they can do that is anybody's guess.

This new post-grant review proceeding would look like a trademark opposition or interference determination but before the Board of Patent Appeals and Interferences. This procedure would have to take place within a year of issue or four months after threat of infringement. There would be a set of mandatory disclosures, discovery, and only one opportunity for the Owner to amend the claims. Live testimony would be permitted, and the entire procedure would have to be completed within a year. details can be found on the USPTO website at: <http://www.uspto.gov/web/offices/com/strat21/action/sr2.htm>.

CONCLUSION

This new post-grant opposition procedure may go thru many iterations and variations before anything happens. We in the Patent Bar will just have to wait and see. Until then, *inter partes* reexamination is still available as demonstrably better than *ex parte* reexamination and quite advantageous to those facing a patent litigation challenge.

