

Leveraging the Patent Reexamination

By James De Vellis ©2010

Introduction

With reexamination of issued patents firmly planted in the IP mainstream, it is increasingly important to convey to the business leaders and decision makers just how useful this tool can be. Almost every business transaction that touches a patent should consider ramifications of a request for reexamination of that patent. Understanding how, when, and why to request or defend reexamination of a patent can further business objectives in transactional, venture capital, litigation, and licensing realms. Like most powerful tools, reexaminations are effective if used wisely, but if wielded carelessly you can lose an eye.

Approaching the Problem

The U.S. Patent Office allows anyone to request reexamination of an issued patent by pointing out to the Patent Office that a prior art patent or printed publication raises a substantial new question of patentability of at least one claim of that patent. When preparing the request, the requesting party often has a choice; they may opt to participate in an *Inter Partes* reexamination proceeding, with the right to file papers throughout the proceeding, including any appeals; or they may opt to remain above the fray in an *Ex Parte* proceeding, where, after requesting reexamination, they are generally relegated to observer status throughout the entire proceeding.

There are many factors at play when deciding which of these two options to pursue; with cost, timeline, and potential estoppel issues being the most commonly mentioned. Presentation of these two options to a business leader with a dry focus on the differences between the proceedings, statistical data, or historical trends adds little value. Instead of focusing on this publically available data, a considered approach includes a discussion of business objectives. What is the ultimate goal? Is complete invalidation of all claims necessary, or is it sufficient that one or more claims be canceled or even just amended? Could the reexamination proceeding itself be sufficient to accomplish a

business objective, regardless of its outcome? What about the mere threat of a reexamination? How strong is the prior art? Are there multiple independent reasons, based on different prior art documents, that could invalidate one or more claims? It is a discussion of these questions that reveals the answer to the *Ex Parte/Inter Partes* decision that is made prior to requesting reexamination.

Reexamination in the Litigation Context

Reexaminations are most often discussed together with patent litigation, as parties to the litigation often dispute the validity of the patent in parallel before both the court and the Patent Office. Reexamination of a patent involved in a concurrent litigation is a tool crafted to bring about the litigation result that you desire. An initial point is the fact that the standard for invalidating a patent in a reexamination proceeding is different than the standard applied by the court. An issued patent litigated in court is entitled to a presumption of validity, and requires clear and convincing evidence to be ruled invalid. In litigation, claims are generally construed in a manner consistent with this presumption. A reexamination proceeding has no such presumption. Claims are given the broadest reasonable interpretation consistent with the specification, which is a broader standard that facilitates invalidity arguments.

While the different standards discussed above favor reexamination, this advantage can be diminished by consideration of your audience. Would you rather present your case to a lay judge/jury, or to the technically oriented Patent Office? What technology is involved? How nuanced is the invalidity argument? Does it require the combination of multiple prior art documents? In a litigation context, a discussion of these preliminary matters should indicate whether or not a reexamination furthers your ultimate goal.

Deciding to proceed with reexamination in parallel with litigation quickly brings the requester to another strategic crossroads, involving not only the type of reexamination (i.e., *Ex Parte/Inter Partes*) but also timing. At this point the conversation often turns to the estoppel provisions of *Inter Partes* proceedings that apply to issues that were or could have been raised in the reexam request. The estoppel considerations are important but need not dominate the discussion. For example, does the ultimate business objective

require that the co-pending litigation proceed to trial and final decision? Estoppel provisions become less relevant when a settlement is the desired or likely outcome.

Another important factor in the litigation context involves using the reexamination as leverage to obtain a stay in the litigation. The granting of stays varies from jurisdiction to jurisdiction and even from judge to judge. Coordinating a request to stay litigation in lieu of a pending reexamination again necessitates a discussion of overall business objectives. Is a stay of litigation proceedings itself sufficient to accomplish a business objective? How does it effect settlement negotiations? What are the odds that the stay will be granted? Are there repercussions if the stay is denied? The timing of the reexamination is a factor, as generally the chances of obtaining a stay increase the sooner the request for reexamination is filed, or the sooner substantive action is taken during reexamination, such as a declaration of a substantial new question of patentability, or a rejection of the claims.

Reexaminations can have a powerful effect on litigation in other ways as well. For example, is the patent near the end of its period of enforceability? If so, amendments to the claims during reexamination could eliminate past damages, which by itself may be a victory sufficient to accomplish business objectives and render litigation of any new or amended claims essentially meaningless. Do sensitivities of human interaction come into play? For example, the judge may perceive a request for reexamination as a maneuver that circumvents the judge's authority by instead turning to the Patent Office for validity judgments. While cold justice dictates that facts and the law should prevail, human sensitivities should not be underestimated.

Strategic coordinated management of parallel reexam and litigation proceedings is paramount. The fundamental point is to decide how the reexamination proceeding should be used in concert with the litigation to achieve the desired result.

Reexamination in the Licensing Context

From time to time, business leaders and innovators receive awkward "invitations" from their competitors to license the competitor's patented invention. This can put a potential licensee in a precarious situation. One may have a business interest in avoiding the headache that is patent litigation, but may also insist on a high level of assurance that

they are only paying for licenses to valid patents. Reexaminations have a strong role to play in this context.

Knowledge that a reexamination is a reasonable possibility strengthens the licensee's position, but must be carefully revealed to the licensor. *Ex Parte* reexaminations may be filed anonymously, however, depending on the particular situation the licensor/patent owner may have a pretty good idea who is behind the reexamination. A more valuable way to leverage reexam proceedings in the licensing context may be to prepare a so-called pocket request for reexam, where you prepare the request for reexamination but do not file it with the Patent Office. Rather, simply present the request for reexamination to the patent owner (or make them aware of its existence) as a tactic to negotiate more favorable licensing terms.

A potential licensee's business interests can be best advanced by actually filing the request for reexamination. A reexamination request can easily last three years from filing through appeal. If there is no co-pending litigation, this time can be used to design around the patent owner's licensed technology. The savvy innovator will pursue patent protection of the design around solutions. With the proper legal guidance, resulting patents can further strengthen a negotiating position, as the patented improvements may be better solutions or may block the existing technology of your competitors, turning the tables of the entire negotiation.

The risk involved in filing a request for reexamination in this context must be kept in mind. While a successful reexamination could invalidate the relevant claims and moot the need for a license, an unsuccessful reexamination could increase the asking price and antagonize the patent owner. The facts surrounding the potential licensing of patented technology should be diligently evaluated to decide how a reexamination maximizes leverage in the licensing context.

Reexamination in the Venture Capital Context

Patent portfolio development takes on added importance in the venture capital realm. The success of the entire company and the funding for its future often hinges entirely on a small number of core technology patents. It is the quality, and not the quantity, of a patent portfolio that matters most to the experienced venture capitalist.

Patent reexamination can have a strong role in patent quality assurance, as a patent that survives a reexamination proceeding has been twice vetted by the Patent Office.

In one scenario, a diligent venture capitalist may discover prior art that causes concern and could hinder or reduce funding. A patent owner in this situation has options. For example, this may be a situation where a patent owner requests reexamination of their own patent in light of the prior art at issue. The Patent Office should consider this prior art, and any claims resulting from the reexamination proceeding should be patentable in view of this prior art, which increases the standing of the patent in the eyes of the venture capitalist, provided the claims are still valuable. Other options, such as reissue proceedings are also available to the patent owner, who is well advised to speak with an experienced patent lawyer to develop a proper patent portfolio strategy.

It is important to note that reexamined patents are not stronger in any legal sense upon conclusion of the reexamination – they have the same legal effect and are subject to the same standards as any other issued patent. However, reexaminations do consider substantial new questions of patentability not considered in the initial examination of the patent. This more comprehensive examination may render them more difficult to invalidate over prior art in the future, and in this way adds to their value. For those seeking venture capital funding, a patent that cleanly emerges from a reexamination proceeding can be presented to venture capitalists with an additional degree of confidence.

Clearing the Patent Thicket

Knowledge of competitors' patent portfolios is of course critical to business development. Proactive assurance that your products do not infringe the patent rights of others is necessary to prevent all sorts of problems, including patent infringement, injunctions, and revenue-draining licenses. Strategic reexaminations have their place in this context as well, as relatively inexpensive tools to invalidate or amend blocking patents and provide a footprint for your products. For example, reexaminations in this context can be an alternative to more costly declaratory judgment litigation or Federal Trade Commission actions that can lead to Customs seizures and import bans.

Without getting into the legal details, the standard applied to determine whether or not a claim is obvious in view of a combination of prior art was clarified in 2007. Prior to that date, it was necessary to show a generally more explicit teaching, suggestion or motivation to combine the prior art to arrive at the claimed invention. This rigid standard was loosened somewhat in 2007. Today, while some teaching, suggestion, or motivation to combine prior art documents must still be shown, it is clear that this is a flexible standard, and that an explicit suggestion to combine the documents may not be necessary. While the Patent Office and some legal scholars are quick to point out that this is a mere clarification, and not a new standard, the de facto result is that the bar has been lowered and new arguments may be available that can facilitate reexamination of competitor's patents. For example, a reexam can be requested based on newly discovered prior art, or new combinations of prior art, that have a less explicit teaching as to how they can be combined to render a patented claim obvious. Those in this situation should consult with their patent lawyers to ensure that this combination indeed raises a substantial new question of patentability, which is the prerequisite for granting a reexamination request.

Regardless of the clarified legal standard, reexamination can more clearly define patent boundaries and provide operating space. Robust and proactive service in the interests of your business dictates that patents in the relevant technical field be monitored and evaluated, with reexamination considered when claims of dubious validity are identified as potential obstacles.

Traps for the Unwary

Business decisions can have unintended consequences. This is especially true in the relatively new and unsettled reexamination context, where many open questions await interpretation by the Court of Appeals of the Federal Circuit.

The serious care that should be given to decisions regarding reexamination is reinforced by the fact that you cannot un-file a reexamination request. Once the Patent Office grants a request, the reexamination will continue until the issuance of a reexamination certificate that confirms, amends, cancels, or adds new claims to the patent. (There is a somewhat rare *Inter Partes* scenario where the reexamination can be

terminated by a final decision in a co-pending litigation. Even if this does happen, the reexamination paper trail remains public and could be picked up by a different competitor.)

There is no limit on the number of requests for *Ex Parte* reexamination of a patent that can be filed. A requester may be tempted to prepare a request that discloses fewer than all of the multiple substantial new questions of patentability unearthed by the requester, saving the others for second, third, or fourth requests for reexam, if necessary. This tactic should be carefully discussed to ensure, for example, that the unused prior art indeed raises a new – different – question of patentability. While the bar for determining a substantial new question of patentability has been low, there is no guarantee it will remain so, and the Patent Office has wide latitude to scrutinize subsequent requests for reexam to ensure that the questions of patentability presented are indeed new. Attempts to skirt this requirement could result in the denial of subsequent requests for reexamination.

An alternate strategy is to set forth all substantial new questions of patentability in a first request for reexam. The Patent Office will individually accept or reject them when granting or denying the request. If some are accepted, but then are substantively ignored during prosecution, a subsequent request for reexam could point out that substantial new questions were raised but not resolved in the first reexam proceeding. Improperly dismissed substantial new questions can also be represented in a new light, perhaps supplemented with expert declarations. The decision to fire all your guns at once, or put some in reserve should be the result of a considered discussion with a patent lawyer experienced in the intricacies of reexamination proceedings.

During reexamination, the patent owner will likely seek to maintain the issued claims in original form, and would be well served to add new claims as well. When the patent owner knows or suspects who is behind the reexam, the amended and new claims will likely be drafted so as to be infringed by the requester's products, with potentially serious consequences. A savvy requester will study their competitors' patents and the prior art, prior to requesting reexam, to identify and analyze any additional unclaimed subject matter the patent owner could claim during the reexam proceeding.

Reexamination proceedings are full of procedural pitfalls. Of course, a patent lawyer who reads the rules should be able to avoid most of these situations, but many mistakes are still commonplace, as reexamination procedure is notably different than standard patent prosecution procedure. While these mistakes can sometimes (but not always) be corrected, at the very least they cause delay and should be avoided as a matter of general practice. The requirements of the request for reexamination are onerous, and result in a large number of requests being denied entry until the procedural defects are remedied. Other pitfalls involve procedures for adding new claims, indicating how the claims are supported in the description of the patent, requesting extensions of time, restrictions on amending the claims after a final rejection, prohibitions on broadening the claims, page limits, and other procedural matters. The Patent Office has a dedicated examination unit for reexaminations, and procedural trip-ups are unlikely to enamor the experienced core of patent examiners to your plight.

Reexamination in the Marketing Context

Press releases, website postings, blogs, and papers filed in litigation proceedings often trump up requests for reexamination or the current status of reexamination proceedings. While it is important to convey this information to investors, customers, competitors, and the general public; one is well served to keep this propaganda honest and accurate, with appropriately set expectations. For example, the Patent Office routinely indicates that there is a substantial new question as to the patentability of a claim, and routinely rejects claims in reexam proceedings. These actions are not outcome determinative and should not be touted as such. Premature chest thumping can throw off investors, mislead customers, and damage corporate reputations if the trumpeted results fail to materialize.

Reexamination proceedings take time, and essentially all papers filed in the context of these proceedings are publically available. A mature marketing approach realistically portrays the nature of the proceedings, framed by the ultimate business objectives.

Reexamination to Strengthen a Patent Portfolio

As noted, a patent owner can request reexamination of their own patent. While reexamination cannot be used to broaden claims, it can be an effective tool to strengthen patents by having prior art considered, for example in advance of fundraising, licensing, or litigation activity. This typically requires detailed consultation with a patent lawyer, as there are a number of considerations. There are also potential alternatives, such as patent reissue proceedings, or prosecution of any related patent applications that have not yet issued. When the owner of a valuable patent sees a potential blemish such as problematic prior art, a reexamination proceeding is one option that should be considered as an effective solution to a particular problem.

Conclusion

The timing, type, and prosecution of a reexamination proceeding should be the natural conclusion of a diligent and considered thought process. Reexaminations are most effective as a tool to further a business objective by leveraging a patent portfolio, or to defend against an overbroad patent that has encroached into the public domain. When used effectively, reexamination practice is an inexpensive alternative or supplement to litigation. Reexaminations can also add value to licensing negotiations, increase funding opportunities, and increase sales or market share by providing freedom to operate in a given technological field.

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