

Reexamination and Concurrent Patent Litigation: The Most Significant Development in Patent Enforcement in the Last Five Years

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Md
Medical Devices

Na
Nanotechnology

Ds
Data Security

Bt
Biotechnology

S
Software

C
Chemistry

Schedule of Upcoming Presentations and Speaking Engagements on Concurrent Patent Litigation and Reexamination (2010)

- **George Washington University Law School, March 17, 2010, Washington, DC 12:00-1:00pm, Burns Hall (Robert G. Sterne and Lori A. Gordon)**
- **University of Maryland School of Law, April 6, 2010, Baltimore, MD 5:25 - 7:25pm Room 310 (Robert G. Sterne and Lori A. Gordon)**
- **University of Virginia School of Law, April 16, 2010, Charlottesville, VA 4:30pm, Room SL262 (Robert G. Sterne, Mark F. Evens and Byron L. Pickard)**
- **George Mason University School of Law, April 14, 2010, Arlington VA, 12:00 - 1:00pm, Room 332 (Robert G. Sterne and Jon Wright)**

Litigation Defense Strategy

I. Patent reexamination before the USPTO has become a standard litigation strategy for defendants accused of patent infringement in Article III District Courts and or the International Trade Commission (ITC).

**Patent Owner Asserts
Property Right Against
One or More Parties with
Plans to Enforce**

**Plaintiff-Patent Owner
Files Patent Infringement
Suit in U.S. District Court
Under 35 U.S.C. § 271**

**Accused Infringers Form
a Joint Defense Group
(JDG) and Seek to
Invalidate the Patent**

**Defendant-Accused
Infringer(s) File Request
for Reexamination Under
35 U.S.C. §§ 303 or 312**

Concurrent Proceedings

II. When the district court litigation is not stayed pending a reexamination at the USPTO, the patent-in-suit enters a parallel universe with respect to validity challenges that involve prior art patents and printed publications.

**Plaintiff-Patent Owner
Files Patent Infringement
Suit in U.S. District Court
Under 35 U.S.C. § 271**

**Defendant-Accused
Infringer Files Request
for Reexamination Under
35 U.S.C. §§ 303 or 312**

**USPTO Grants Request
for Reexamination Filed
By One or More of the
Parties in the JDG**

**Defendants' Motion to
Stay the District Court
Proceeding Pending the
Reexamination is Denied**

Extinguish Royalties

III. Particularly with a non-practicing entity, where there may be no injunction under *eBay*, the parallel reexamination could extinguish on-going royalties even if the parallel litigation has been lost by the accused infringer-defendant.

Whereas Most Defendants in 2005 Viewed Reexaminations as Favoring Patent Owners Today Many are of the Opposite View

1. The Central Reexamination Unit (CRU) was created by the USPTO to handle reexaminations with the statutory mandate of “special dispatch.”
2. A lower standard for finding obviousness exists in view of the Supreme Court’s decision in *KSR*.
3. Reexamination standard of review (e.g., broadest reasonable claim construction, preponderance of evidence, owner can amend but not broaden).
4. Any third-party requester can attack the patent claims by raising multiple SNQ’s and proposing multiple grounds of rejection in the request.

Two Types of Reexamination: *Ex Parte* and *Inter Partes* are Distinguished by the 3PR's Right to Participate, Respond, and Appeal

Ex Parte Reexamination

- Created by Congress in 1980, its goal was to provide a quality check on issued patents.
- Patent owners and even anonymous third-parties have standing to file an *ex parte* request.
- Except responding to the patent owner's optional statement, the third-party may not participate.
- The patent owner can interview with the Examiner on the merits during reexamination.

Statutes, Rules, and Procedures

35 U.S.C. §§ 301-307 *Ex Parte*

37 C.F.R. §§ 501-570 *Ex Parte*

MPEP-Chapter 2200 *Ex Parte*

Inter Partes Reexamination

- Created by Congress in 1999, its goal was to provide a fast, low-cost, effective alternative to district court litigation.
- Only a third-party requester not in privity with the patent owner has standing to file an *inter partes* reexamination request.
- Both the patent owner and the third-party requester can participate. It can result, however, in estoppels in concurrent or future litigation.

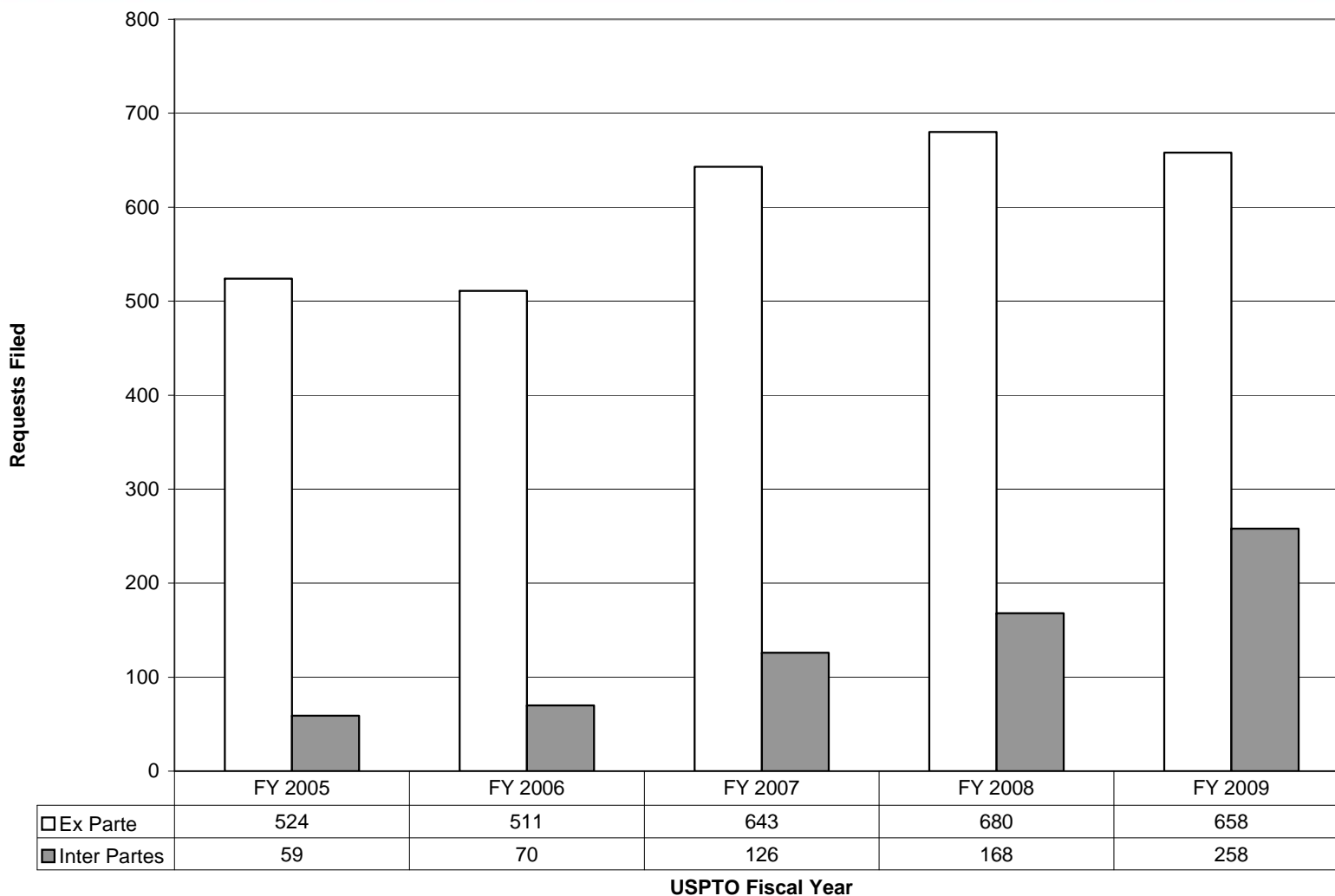
Statutes, Rules, and Procedures

35 U.S.C. §§ 311-318 *Inter Partes*

37 C.F.R. §§ 902-997 *Inter Partes*

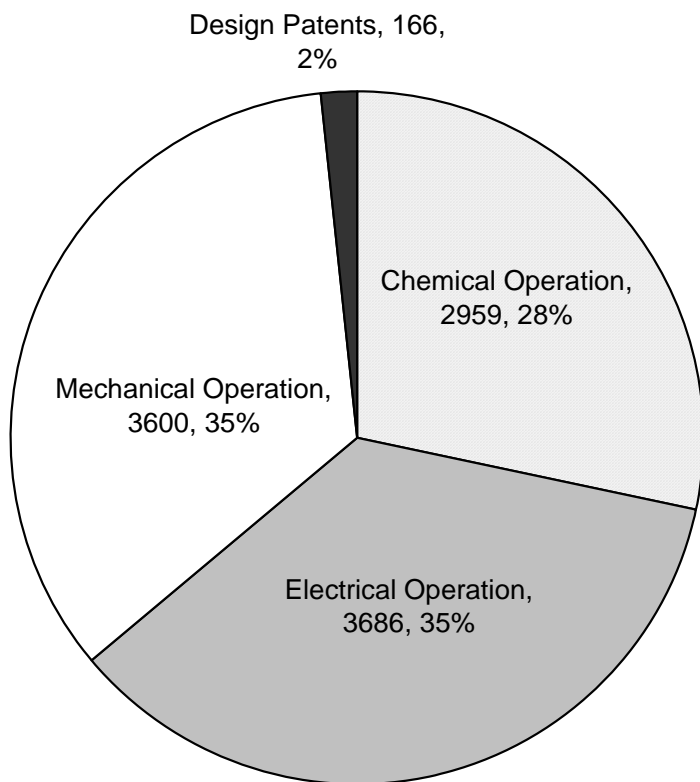
MPEP-Chapter 2600 *Inter Partes*

Official USPTO Filing Statistics for *Ex Parte* and *Inter Partes* Reexaminations Since 2005



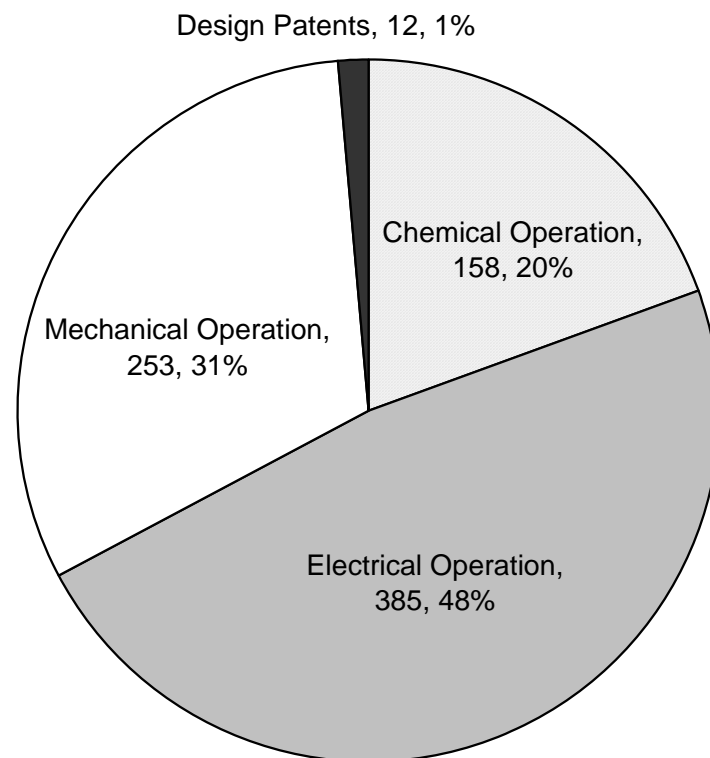
Official USPTO Filings Cumulative Statistics for *Ex Parte* and *Inter Partes* by Discipline

Annual *Ex Parte* Request Filings



*Cumulative Since July 1, 1981

Annual *Inter Partes* Request Filings



*Cumulative Since November 29, 1999

Official USPTO Claim Outcome Analysis for *Ex Parte* and *Inter Partes* Reexaminations

Ex Parte Reexam Certificates

a. All Claims Confirmed Unamended

Patent Owner Initiated	22%
Third-Party Initiated	26%
Commissioner Initiated	12%
Overall	24%

b. All Claims Cancelled None Added

Patent Owner Initiated	8%
Third-Party Initiated	13%
Commissioner Initiated	23%
Overall	11%

c. Claims Changed in Some Way

Patent Owner Initiated	70%
Third-Party Initiated	61%
Commissioner Initiated	65%
Overall	65%

Inter Partes Reexam Certificates

a. All Claims Confirmed Unamended

Third-Party Initiated	11 or 8%
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b. All Claims Cancelled None Added

Third-Party Initiated	68 or 51%
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c. Claims Changed in Some Way

Third-Party Initiated	55 or 41%
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NOTE: A patent is not revised by any amendment or cancellation of a claim made during a reexamination proceeding until a certificate is issued. 35 U.S.C. 307.

Thus, each claim is presumed valid under 35 U.S.C. 282 and may be enforced notwithstanding the presence of a pending reexamination proceeding. *Ethicon v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988).

USPTO Central Reexamination Unit (CRU), Office of Patent Legal Administration (OPLA), and the Board of Patent Appeals (BPAI)

Central Reexamination Unit (CRU)

- In 2005, the USPTO created the CRU to ensure quality, consistency, and reduce pendency.
- The CRU handles all reexaminations regardless of technology and all legacy cases from the TC's.
- It is composed of three art units (e.g., 3991, 3992, 3993) and a core of 66 Examiners, averaging 18 years of USPTO experience.
- Three CRU Examiners are assigned to a reexamination. CRU Examiners do not search.
- CRU Examiners focus on quality during reexamination and are not subject to the "count" system performance metrics.

Office of Patent Legal Administration (OPLA)

- Works closely with the CRU to resolve certain petitions, real party in interest questions, petitions to merge (e.g., reissue, multiple).
- Assists the CRU when legal questions arise, analyzes the effects of rules, and looks for ways to streamline.

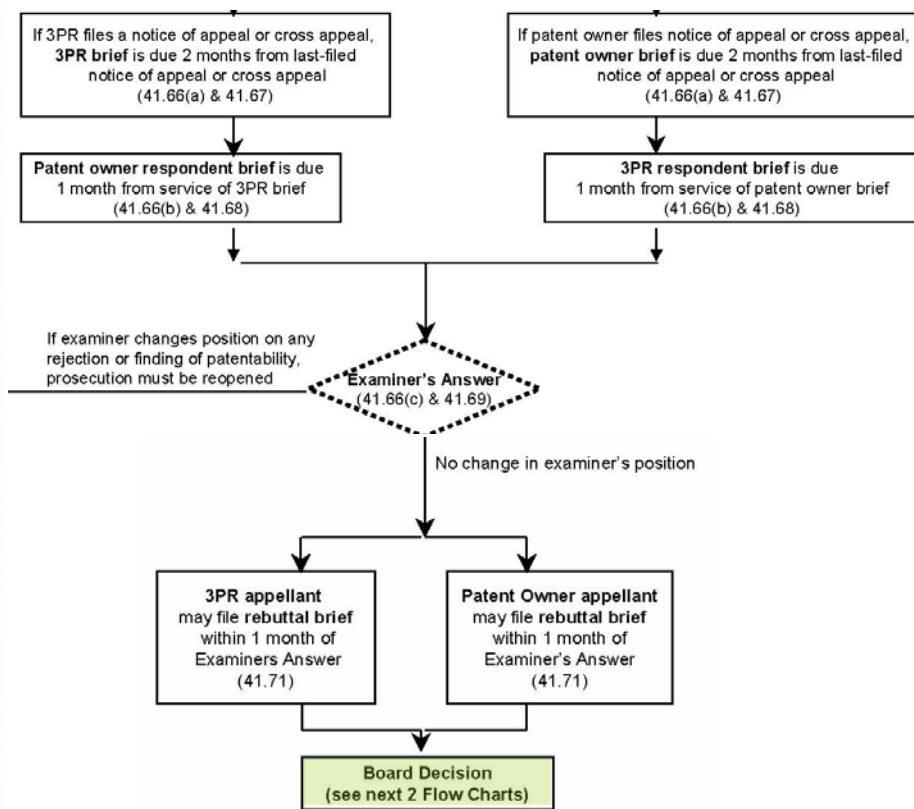
Board of Patent Appeals and Interferences (BPAI)

- Appeals from the CRU go to the Board of Appeals and Interferences (BPAI).
- The BPAI is quasi-judicial and staffed with Administrative Law Judges.
- § 141 Appeals from the BPAI go to the Federal Circuit Court of Appeals.

Appealing *Inter Partes* Reexamination Final Actions from the CRU to the BPAI, the CAFC, and BPAI Remands On New Grounds

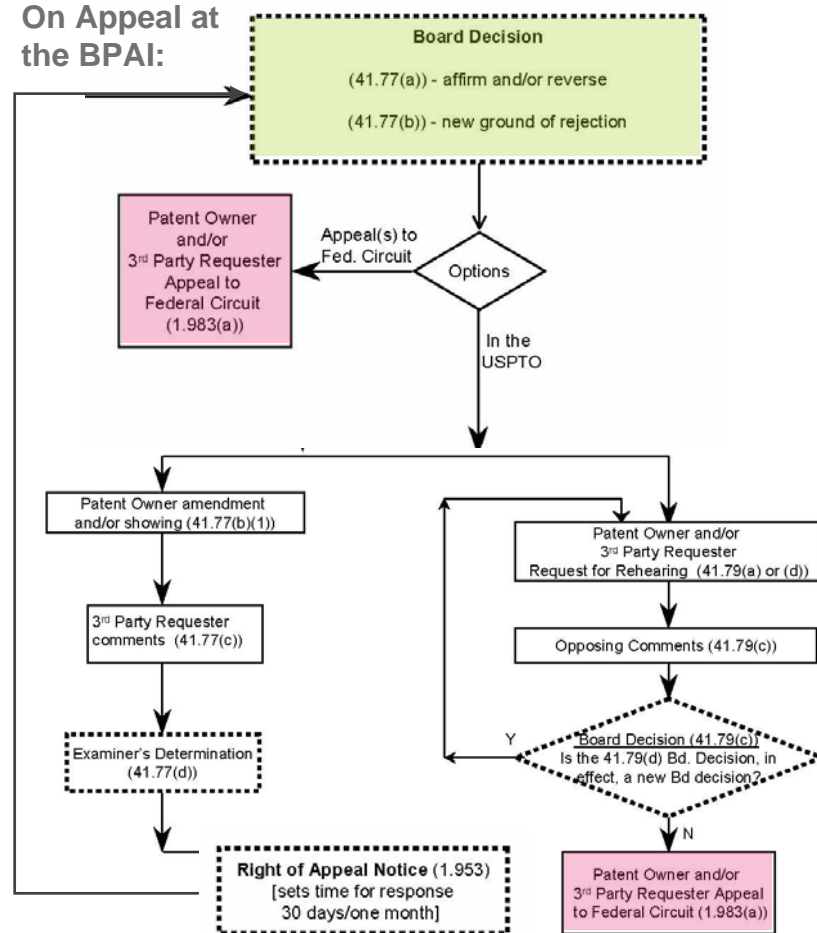
Appeals from the CRU to the BPAI

Upon Right of Appeal Notice (1.953) either or both parties may file Notice of Appeal:



Appeals from the BPAI to the CAFC

On Appeal at the BPAI:



The Parallel Universe: Concurrent Validity Challenges in Article III District Court, the USITC, and or USPTO Reexamination

Different Tribunals and Standards

- District court, the ITC, and USPTO are substantively different tribunals and their proceedings vary in scope, procedure, and standard of review.
- The USPTO applies the "broadest reasonable interpretation" for claim language because claims may be amended. MPEP 2286.
- District courts conventionally apply a less liberal standard of claim interpretation, thus narrowing the universe of prior art.
- Claims also enjoy a presumption of validity in district court, which may be overcome only by "clear and convincing evidence."

Effect of a Valid or Invalid Finding

- A court decision holding that a patent claim is valid will not preclude reexamination by the USPTO of such claim in an *ex parte* reexamination, even if final.
- A final, non-appealable court decision holding that a patent claim is invalid will preclude the USPTO from ordering any reexamination or will result in termination of any other as to such claim. MPEP 2286.
- The net effect is that an invalidity decision, whether by the USPTO or the district court, trumps any earlier validity finding, even by the district court. *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2008).

Hot Button Reexamination and Concurrent Patent Litigation Issues (Sedona Conference)

**Robert Greene Sterne, Jon E. Wright, Lori A. Gordon,
Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations, 10 Sedona Conf. J. 115 (2009)**

Presented at The Sedona Conference on Patent Litigation X, 2009 (Sedona, AZ)

Available on Westlaw: 1) Go to Westlaw 2) Enter below cite into Find by Citation: "10 SEDCJ 115"

Download is free for students and approximately \$12.50 + printing fees (\$15) with no discount package for Westlaw subscribers

Substantial New Questions of Patentability: The SNQ, *KSR*, and *In Re Swanson*

- Both the *ex parte* and *inter partes* statutes require that a request for reexamination raise at least one new substantial new question of patentability (“SNQ”). 35 U.S.C. §§ 303 and 312.
- The Fed. Cir. in *In re Swanson*, 540 F.3d. 1368 (Fed. Cir. 2008) recently clarified what it takes to support a SNQ where a reference was previously used to reject the claims.
- In addition to a newly discovered reference, a previously applied reference can raise a SNQ if presented in a “new light.” *KSR* and *In re Swanson* have many significant implications.

The Protective Order and the Duty of Disclosure in Concurrent Proceedings

- When crafting a protective order for district court litigation, parties must consider the possibility of a reexamination being filed at the USPTO.
- In a reexamination proceeding, each individual associated with the patent owner has a duty of candor and good faith in dealing with the USPTO.
- The duty of candor includes a duty to disclose to the USPTO all information known to that individual to be material to patentability. 37 C.F.R. §§ 1.555(a) and 1.933(a).
- Material obtained during discovery even if subject to a protective order must be disclosed.

The *Ex Parte* Reexamination Interview: Key Strategic Differentiator for Patent Owners

- Rule 1.955 states that “[t]here will be no interviews in an *inter partes* reexamination proceeding ...” whereas in *ex parte*, the patent owner is allowed to request an Examiner interview on the merits.
- Typically the interview is scheduled before the response to a First Office Action and occurs at the USPTO with a CRU examination panel and patent owner representation in attendance.
- This can be a significant advantage as the clearest risk for an accused infringer is that at least one asserted claim survives unamended, without any adverse prosecution history estoppels.

Rolling Reexaminations: Serial *Ex Parte* Reexaminations and Multiple Proceedings

- Where a party has a choice of whether to file an *ex parte* or *inter partes* reexamination request, one factor considered is that there is no legal limit on the number of *ex parte* reexamination requests.
- Multiple proceedings can serve as a valuable tool where the patent owner mischaracterizes the prior art and makes inconsistent statements before the USPTO and the district court.
- However, the threshold for establishing a valid SNQ may become higher with each reexamination request. The SNQ cannot be merely cumulative to art considered, raising the bar each time.

Public Proceedings In The Lime Light: The Impact of USPTO Decisions on Stock Price

- In the past decade there have been many high profile reexaminations: NTP, Inc. v. Research in Motion, Ltd. (Blackberry), TiVo v. Echostar, (TimeWarp), recently i4i v. Microsoft (Word).
- As a result, investors have become aware of the impact reexaminations can have on company value. Since the USPTO proceedings are public, investors can monitor them (e.g., office actions).
- Now the media covers reexamination events in high profile cases which can result in precipitous fluctuations in stock price (e.g., Tessera, Rambus, Volterra, Avistar, 01 Communique).

Some High Profile Reexaminations Handled By Sterne Kessler Goldstein & Fox

- **TiVo - *TiVo v. EchoStar Communications Corp.***
- **i4i - *i4i Limited Partnership v. Microsoft Corp.***
- **Martek**
- **Rambus**
- **Uniloc - *Uniloc USA v. Microsoft Corp.***
- **Volterra**
- **Sybase - *Telecommunications Systems Inc v. Mobile365***
- **Jingle - *Grape Technologies v. Jingle Networks***
- **Santaris**

i4i Story

- Two inventors with an idea
- Start a company
- January 2, 1994 file a patent application
- July 28, 1998 patent issues
- Company grows

United States Patent [19] [11] **Patent Number:** 5,787,449
Vulpe et al. [45] **Date of Patent:** Jul. 28, 1998

[54] **METHOD AND SYSTEM FOR MANIPULATING THE ARCHITECTURE AND THE CONTENT OF A DOCUMENT SEPARATELY FROM EACH OTHER** 5,280,574 1/1994 Mizuta et al. 395/145 X
 5,404,435 4/1995 Rosenbaum 395/149 X
 5,587,902 12/1996 Kugimiya 395/798

[75] Inventors: Michel J. M. G. Vulpe; Stephen P. Owens, both of Toronto, Canada *Primary Examiner*—Almis R. Jankus
Attorney, Agent, or Firm—Pillsbury Madison & Sutro LLP

[73] Assignee: **Infrastructures for Information Inc.**, Toronto, Canada [57] **ABSTRACT**

[21] Appl. No.: 253,263
 [22] Filed: Jun. 2, 1994

[51] Int. Cl.⁵ G06F 17/00
 [52] U.S. Cl. 707/513
 [58] **Field of Search** 395/145-149, 395/155-161, 600, 400, 761, 762, 766, 772-778, 779, 784-786; 707/500, 501, 505-508, 511-516, 517, 522-524

[56] **References Cited**
 U.S. PATENT DOCUMENTS
 5,133,051 7/1992 Handley 395/148

20 Claims, 9 Drawing Sheets

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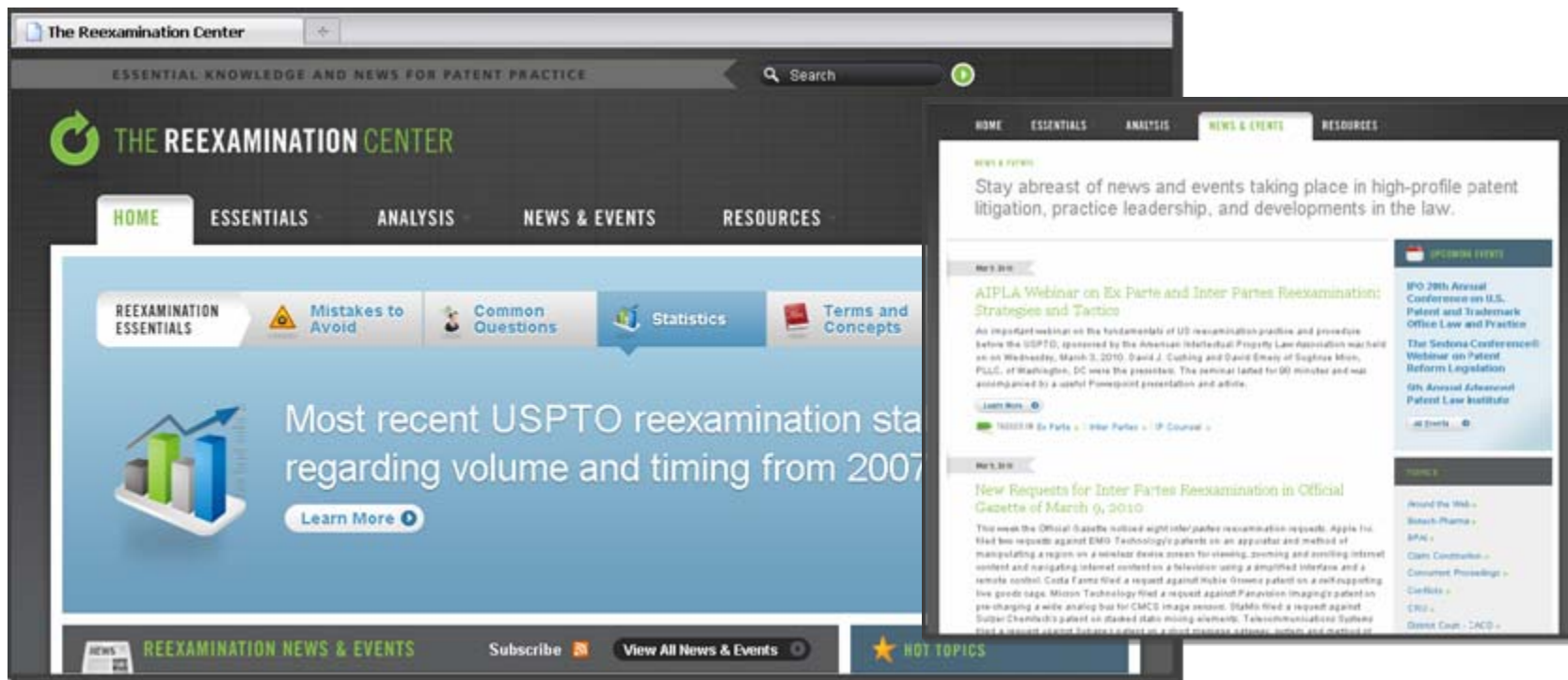
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      152[MAPPED CONTENT] --> 156[PRIMARY STORAGE]
      154[METACODE MAP 1] --> 156
      156 --> 158{SELECT MAP}
      160((INPUT DEVICE FOR SELECTING METACODES)) --> 158
      158 --> 164[MEANS FOR PROVIDING A MENU OF METACODES]
      158 --> 166[MEANS FOR SELECTING, LOCATING AND ADDRESSING METACODES]
      164 --> 166
      166 --> 168[COMPILE METACODES]
      168 --> 172[PRIMARY STORAGE]
      174[METACODE MAP 2] --> 172
  
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i4i Story

- **March 2007 i4i sues Microsoft in EDTX for patent infringement**
- **November 21, 2008, Microsoft places i4i patent into *ex parte* reexamination**
- **May 2009 – jury trial**
- **May 20, 2009 jury verdict is delivered finding the patent infringed, willful infringement, and awarding \$400M in damages with in injunction to stop selling Word.**
- **June 15, 2009 the Reexamination Office Action issues.**
- **Federal Circuit docket appeal with expedited briefing.**
- **March 3, 2010, Federal Circuit panel affirms the district court.**
- **Federal Circuit recently granted en banc rehearing.**

The Reexamination Center: Comprehensive Resource for Legal News and Information

Visit *The Reexamination Center*, the leading site devoted solely to the law and practice of patent reexamination www.reexamcenter.com



Find Recent SKGF Publications & Articles on Appeals from the CRU and Biotech/Pharma in Art Unit 3991 at The Reexamination Center

- Appeals from the Central Reexamination Unit to the BPAI and CAFC, materials at the 5th Annual Advanced Patent Law Institute (January, 2010)
- Reexamination Practice of Biotech/Pharma Patents in Group Art Unit 3991, presented at 5th Annual Advanced Patent Law Institute (January, 2010)
- Reexamination Practice with Concurrent District Court or USITC Patent Litigation, presented at Association of Corporate Patent Counsel (2009)

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Questions & Comments

THANK YOU

We hope this presentation has improved your knowledge and raised your interest in the law and practice of patent reexamination. We welcome your questions, comments, and observations.

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SKGF is looking for Top Patent Attorneys and Law Students contact Racquel Keller, Recruitment Manager rkeller@skgf.com

How to Find Version 9 of the Sedona Paper Hot Button Issues on Patent Litigation and Concurrent Reexamination Law and Practice

**Robert Greene Sterne, Jon E. Wright, Lori A. Gordon,
*Reexamination Practice with Concurrent District
Court Litigation or Section 337 USITC
Investigations*, 10 Sedona Conf. J. 115 (2009)**

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