

YES, WE CAN... RESOLVE PATENT CASES FOR LESS



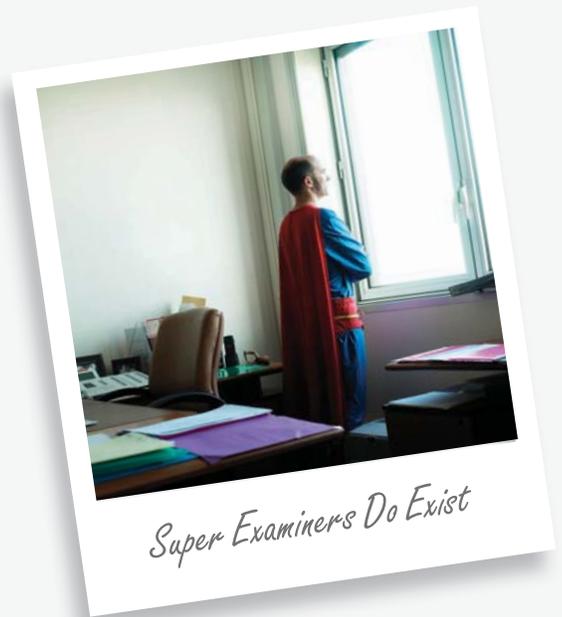
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Is this your company? Sales just fell off a cliff, there is no bailout money coming, any further cost cutting seems impossible without doing serious long term damage, and yet now the company faces a new budget buster. The former founder, who was ousted, set up a business that only creates patents, and has now sued for infringement in a patent-friendly location. He knew how the company technology was advancing, he patented ahead of the company, and your assessment is that non-infringement is not an option. Outside counsel also predicts that the jury in the patent-friendly court will not likely overturn the so-called experts at the Patent Office who issued the patents gained by the company nemesis. Win or lose, the attorneys fees from the case will start with quarterly expenses of as much as several million dollars, right away.

Do you ask: Isn't there any lower cost, better potential path through this situation? The answer may be—*may be*: Yes. We lawyers can now say, yes, we can . . . resolve *some* patent cases for less.

WE CAN USE *INTER PARTES* PATENT REEXAMINATION.

The practices as to *inter partes* reexamination have been evolving, to help create new opportunities for reduced cost elimination of some patents. A group of "super examiners" now exists at the U.S. Patent Office. They



were selected from the high ranks of patent examiners, based on the quality of their work and their efficiency. Their job now is to reexamine issued patents based on prior art patents and printed publications that raise a substantial new question of patentability. Moreover, their job is being done in the open, with the every-step-along-the-way participation of those who request the reexamination of patents. So, for situation of patents that you and I believe should be reexamined, we now have a Patent Office procedure for high quality reexamination of issued patents, where you have a voice, including the right to appeal to the Court of Appeals for the Federal Circuit should the Patent Office affirm the validity of the patent claims.

HOW DOES IT WORK?

Inter partes patent reexamination starts when we file for this type of reexamination of patents. It then proceeds with "special dispatch" within the Patent Office. It gives the "requester" an opportunity to respond to

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anything the patent owner files. This right of response is perhaps the most valuable aspect of this type of reexamination, to a requester. But there are other valuable aspects, too. If the owner amends the patent, the owner may give up rights to those who would otherwise be infringers. If the owner argues for narrow patent interpretation, courts can be expected to consistently interpret the patent narrowly. If the owner argues against the prior art (other patents and publications), the owner will likely create prosecution history estoppel,

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beneficial to competitors. In these situations of safe harbors, competitors can operate with confidence of noninfringement.

Finally, the requestor benefits from the burden of proof aspect of reexamination—a requester need not prove by clear and convincing evidence that the claims are invalid, as would be required in litigation. Rather, the burden will be on the patent owner to prove that the claims are valid. Indeed, in *In re Swanson*, 540 F.3d 1368 (Fed. Cir. September 4, 2008), the Federal Circuit affirmed a reexamination finding that claims were anticipated and obvious in light of a prior art reference considered in the initial examination, and despite the Federal Circuit's holding in an earlier infringement case that the same claims were valid over the same prior art. (For further discussion of *Swanson*, see "It Ain't Over 'Til the Federal Circuit Sings After Reexamination" (Banner & Witcoff Intellectual Property Update Fall/Winter 2008) by Robert H. Resis.)

ISN'T THIS OLD?

Inter partes reexamination has legally existed for about ten years. Until recently, it has been little used, but is rapidly gaining popularity. Filings for *inter partes* reexamination in year 2007 (126) exceeded all such filings from 2001–2006 (112). Filings in 2008 (168) nearly equaled all the filings for *inter partes* reexamination from 2001 through 2007 (182). Filings for the beginning of 2009 (68) appear to continue this trend of rising filings.

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WHAT DOES THIS COST?

Patent litigation in court can cost millions of dollars, as indicated with the hypothetical fact situation that started this article. *Inter partes* reexamination was conceived specifically to have patents reexamined as to their validity in a much less expensive manner than in patent litigation. Virtually no one litigates patent cases without filing for summary judgment, sometimes filing several or even many such motions. According to the AIPLA Report of the Economic Survey 2007, the median cost of an *inter partes* reexamination is \$15,000 through the filing of the request, \$27,000 through the first patent owner response, \$43,000 through the patent owner responses, \$73,000 where **MORE**▶

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there is an appeal to the Patent Office's Board of Appeals and Interferences, and \$150,000 through an appeal to the Federal Circuit—costs that are a fraction of the total costs of a district court patent litigation through the jury verdict.

THIS MUST HAVE CAUTIONS AND DISADVANTAGES, OR I WOULD HAVE HEARD MORE OF THIS ALREADY.

Every legal procedure has advantages and disadvantages, and this one is no exception. Weighing against the benefits of its low cost, special dispatch, super examiners, absence of a jury, absence of the burden of proving invalidity by clear and convincing evidence, and full requester participation, there are some disadvantages to *inter partes* reexamination.

First, it does not in and of itself permit discovery of the patent owner. There will not be document requests, interrogatories or depositions through the reexamination procedure. Of course, not receiving the same in return is an offsetting advantage. The high costs of document collections and reviews are avoided, in this procedure.

Second, obvious but worth stating, *inter partes* reexamination is not a process that results in a decision of non-infringement of patents. It also is not a process that permits challenging patents for all of the numerous ways they may be challenged. Reexamination is focused on whether the issued patent is valid or not based on prior art, and not even all prior art. Reexamination is focused on comparing the patents being reexamined to older patents and publications. But if your company has its own past uses of inventions that would invalidate its competitors' patents, and if it has "publications" of the past uses, such as published engineering

drawings, brochures, flyers, and the like, we can treat its uses as publications and utilize them to invalidate patents.

Perhaps one of the most frustrating aspects of dealing with patent disputes is reviewing a patent's file, and finding that the patent's own file included prior art that should have prevented the patent from issuing and should still invalidate the patent. Often, the file contains prior art that was not used by the examiner to reject claims, but that should have been used for just that purpose. This may result from late citations of such prior art by the applicant, or sometimes, perhaps, for lack of better explanation, even poor quality examination. Convincing juries to second guess patent examiners on the same materials they reviewed, however, may be chancy at best.

Inter partes reexamination is different. It can be based on the same prior art reviewed by the examiner who issued the patent. All that is needed is an argument that puts the prior art in a new light. This is not much of a hurdle.

Third, and this is a significant issue, the requesters who lose in *inter partes* reexamination may not raise the same issues in litigation; they are estopped. Consider, however, the estoppel in context. One of the attractions of *inter partes* reexamination is avoiding a jury. Worrying over the loss of a decision by a jury is not very reasonable in that context. Worrying over the loss of a decision by a federal judge is more reasonable, but likely overestimates the time and depth of study available to a judge, as compared to a super examiner. And for every patent "hawk" among the federal judiciary, *i.e.*, every judge inclined to declare patents invalid, there is surely a patent "dove," inclined to let a jury decide patent validity and not much question the jury's results.

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Fourth, patent lawyers have been waiting on the law surrounding *inter partes* reexamination to develop. Some are still waiting, but the law has been developing, and the surrounding law is better stabilized now than ever before. There are still criticisms of the law—for example, that the examiners reject reexamination requests over picky interpretations of the law, and that even with special dispatch, *inter partes* reexamination takes too long, particularly when averages are recalculated to eliminate uncontested reexaminations, and appeals are also considered. Consistent with the rapidly increasing number of filings, however, many possible requesters are through waiting for the law to develop.

THE BLACKBERRY CASE AND THE FACT WE ARE ASSUMING THAT THE PATENT OWNER SUED

In the hypothetical assumed at the beginning of this article, the existence of a lawsuit by the patent owner is assumed. There are those who would remember the Blackberry case, and assert that no re-examination can help since it did not help in that case.

The Blackberry case was between RIM, the maker of the Blackberry, and NTP, a holding company that gained over \$600 million in settlement from RIM. The district court of the case nearly enjoined the Blackberry system. A jury found that RIM infringed, and the Federal Circuit affirmed the district court's denial of RIM's motion to overturn the jury verdict on grounds of invalidity over the prior art. On remand for further proceedings, and four years after being sued for infringement, RIM filed for reexamination and requested a stay of the case. The district court denied the stay based on the Federal Circuit's mandate and moved the litigation forward so as to bring closure on remand. Those who doubt reexamination based on this case should recall that reexamination



was requested four years after suit was filed. The reexamination did not help RIM because it was simply too little, too late.

Inter partes reexamination can help accused infringers, if they get to the Patent Office with their reexamination filings as soon as possible, and seek stays of litigation pending reexamination outcomes. Filing for reexaminations and stays early can make significant differences in the right cases. While district judges have discretion to stay or proceed, many patent owners will join in stay motions, and many judges do issue stays, even in situations that are contested, where the timing is right—meaning, early.

SUED AND RISKING EXPENSIVE PATENT LITIGATION, CONSIDER *INTER PARTES* REEXAMINATION

Sued by a former founder, sued by a holding company (a “troll”), or sued by a major competitor, the time has now come when you and your company should seriously consider *inter partes* patent reexamination to aid its situation. Properly handled, it can be a success. ■