

Please note this article was published in the September/October issue of Executive Counsel.

Charles W. Shifley is a leading lawyer in Chicago at Banner & Witcoff, a one hundred lawyer intellectual property law firm. His practice focuses primarily on patent infringement litigation and disputes concerning high technology in many industries. He can be reached at cshifley@bannerwitcoff.com.

Patent Case Resolution by Inter Partes Reexamination

Is this you? Sales just fell off a cliff, there is no bailout money coming to your company, any further cost cutting seems impossible without doing serious long term damage, and yet now you face a new budget buster. Your 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 your technology was advancing, he patented ahead of you, and your lawyers predict that non-infringement is not an option. The lawyers also predict 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 your nemesis. Win or lose, the attorneys' fees of 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 patent situation? The answer may be: Yes. We patent lawyers can now say, yes, we can ... resolve some patent cases for less.

We Can Use "Inter Partes" Patent Re-examination.

It may surprise you to learn that the patent law has 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 re-examine issued patents. Moreover, their job is being done in the open, with the every-step-along-the-way participation of those who request the re-examination of patents. So, for situations of patents that we believe should be re-examined, we patent lawyers now have a Patent Office procedure for high quality re-examination of issued patents, a procedure in which patent owners are stopped from getting away from us and into the secrecy that in the past has regained them their patents. The procedure is called "inter partes" re-examination.

How Does It Work?

The new patent re-examination we are talking about starts when you file for this type of re-examination of patents. It then proceeds with "special dispatch," with very short time periods for the processing of the re-examination. It cannot be significantly dragged out. And it gives the "requester" an opportunity to respond to anything the patent owner files. This right of response is perhaps the most valuable aspect of this type of re-examination. As well, one excellent new practice guide, Matthew A. Smith, *Inter Partes Reexamination* (Jan. 31, 2009), comments that in dealing with a re-examination, the patent owner faces unpleasant dilemmas. If the owner amends the patent, it gives up rights to those who

would otherwise be infringers. If the owner argues for narrow patent interpretation, courts will consistently interpret the patent narrowly. If the owner argues against the prior art (other patents), the owner creates “technological safe harbors” for its competitors. In these safe harbors, competitors can operate without infringement.

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 alone exceeded all the filings for inter partes reexamination from 2001 through 2005.

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. No one litigates patent cases without filing for summary judgment, sometimes filing several or even many such motions. Mr. Smith estimates inter partes reexamination will have a cost comparable to one such motion, between 1% and 10% 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, 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, inter partes reexamination is not a process that results in a decision of non-infringement of patents. It is not for that. 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 you have your own past uses of inventions that would invalidate your competitors' patents, and if you have “publications” of the past uses, such as published engineering drawings, brochures, flyers, and the like, you can convert your old uses into publications and use 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 now 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 to such prior art by the applicant, or sometimes, perhaps, for lack of better explanation, even slipshod examination. Convincing juries to second guess patent examiners on the same materials they reviewed, however, is chancy at best.

Inter partes reexamination is different. You can base it on the same prior art reviewed by the examiner who issued the patent. All you need is an argument that puts the prior art in a new light. This is not much of a hurdle.

Third, and this is a big one, 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.

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 applications over picky applications of the law, and that even with special dispatch, that inter partes reexamination takes too long when appeals are considered. Consistent with more filings in year 2007 than all those in years 2001 through 2005, however, most patent lawyers are through waiting for the law to develop.

The Blackberry Case And The Fact We Are Assuming That The Patent Owner Sued

Probably the most notable recent patent litigation and settlement were 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. Patent reexaminations were pending. In the hypothetical assumed at the beginning of this article, the existence of a lawsuit by the patent owner is assumed. If reexamination did not help RIM, it would not seem to help companies sued for patent infringement.

Inter partes reexamination can help, however. Accused infringers can get to the Patent Office with their reexamination filings as soon as possible, and seek stays of litigation pending reexamination outcome. Filing for reexaminations and stays early can make all the difference. 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 of contest, where the timing is right – meaning, early.

**Sued and Risking Expensive Patent Litigation,
Consider Inter Parte Reexamination**

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