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*Patent Reexamination as a  
Litigation Tool*

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# Litigation Strategies

- Pre-Trial Goals:
  - Best way to reduce litigation cost is to stop it.
  - Reducing damage (\$\$\$) exposure also reduces settlement costs
  - Create leverage to pressure an opponent
  - Shift burden to the opponent (cost for trolls)
  - Demonstrate weakness (inequitable conduct)
  - Impact claim construction (Markman)
  - Create estoppel and disclaimer
  - Sway injunction equities



# Litigation Strategies

## Cost Effective Post-Trial Strategies:

- Avoid Permanent Injunction
- Vacate Jury Verdict/Dismiss Case
- Reduce License Fees

There is a tool which will provide all of the above pre-trial and post trial advantages:

**PATENT REEXAMINATION**



# Options & Trends

## Two Options:

- *Ex Parte* (Any Patent, No 3<sup>rd</sup> party participation)
- *Inter Partes* Reexamination (11/29/1999)
  - expired + 6 years
- **Business Trends 2005 - Present**
- Reexamination as a litigation tool.
- Pre-2005 rarely used w/ litigation
  - Used mostly for portfolio maintenance (owner requested)
  - Past prejudice?
- **Has Reexamination Evolved?.....YES**



# Early Reexamination Experience (Bad)

- *Ex parte* reexamination (1980) introduced to serve as alternative to patent litigation \$\$\$\$.
- Same examiner of original patent (**same mistakes?**)
- **One sided** in favor of patent owner
- **SLOW** (examiners delayed unfamiliar task)
- **Only “New” Art**
- Quickly proven ineffective
  - Best art held back for litigation
  - Public loses faith



# Modern Patent Reexamination

- **Legislation Changes**
  - **Inter partes reexamination** (AIPA, 1999, 2002)
  - **3<sup>rd</sup> Party participation**
  - Old art.. **OK** (In re Portola Packaging-- overruled)
- **New PTO Group** (2005 Central Reexamination Unit Formed)
  - Approx 80 **Primary Examiners**
  - **Panel review** of actions (3 examiners)
  - **Improved responsiveness**

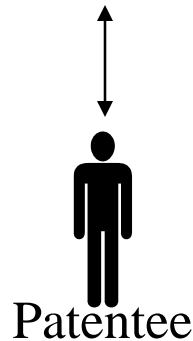
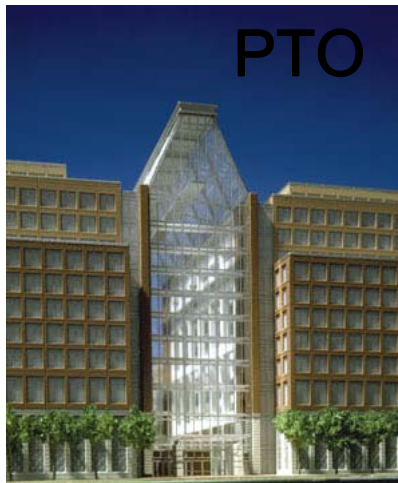


# Modern Patent Reexamination

- **Troll Impact**
  - Courts overworked, more willing to **stay cases**
- **New Case Law**
  - In re Swanson, In re Trans Texas Holdings
  - **“Old art” now available....even same art if “new light”**
  - **Substantial New Question of Patentability (SNQ) standard is low (important to reasonable examiner)**
- **Inter Partes Reexam Available to More Patents**
- **Anti-Patent Sentiment? (KSR)**



# Ex Parte Reexamination



## EX PARTE 35 USC § 301 -307

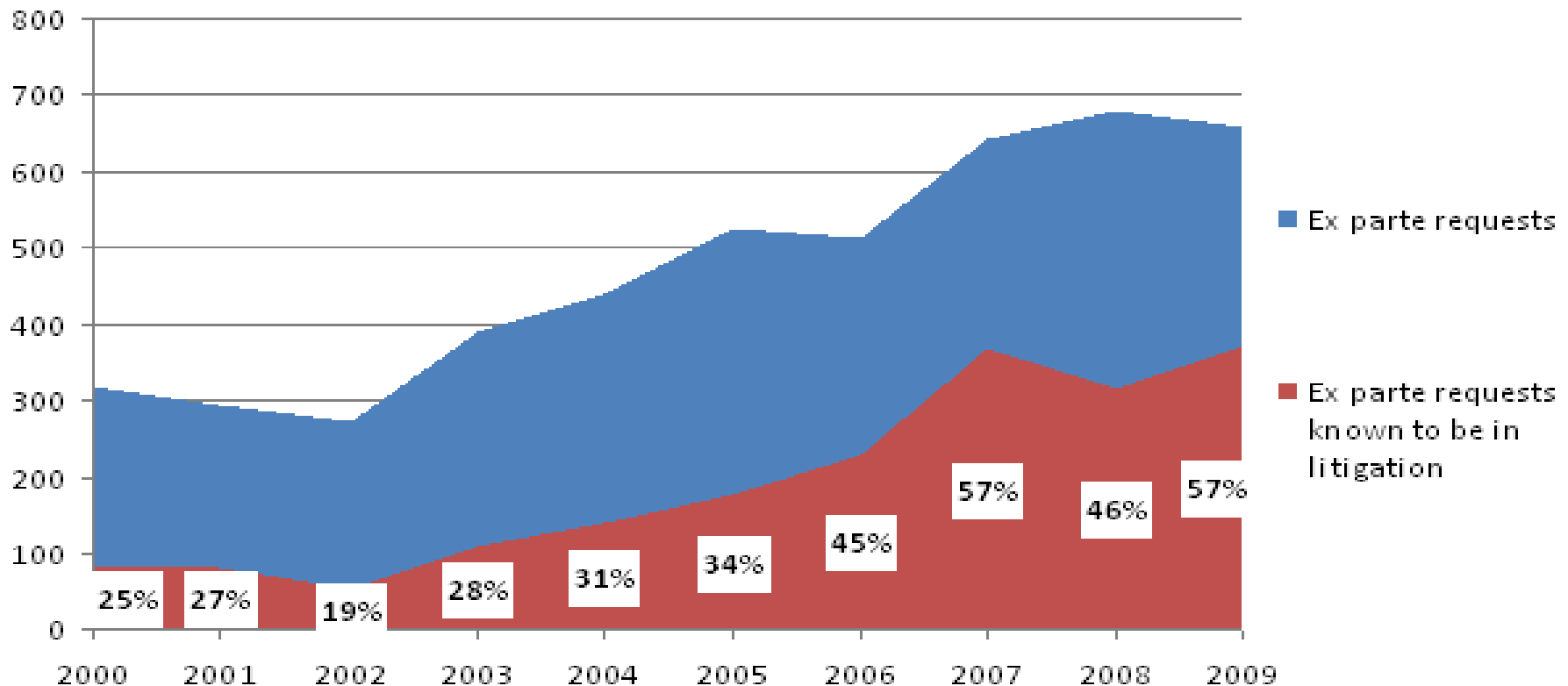
- Third party requester can initiate, but third party may not participate beyond initial request (copied on communications).
- **NO Broadening** of claims.
- Only patent owner may appeal.
- Third party **anonymity** permitted.
- Examiner Interviews OK.
- Request must allege Substantial New Questions of Patentability (SNQ).
- PTO filing fee \$2520





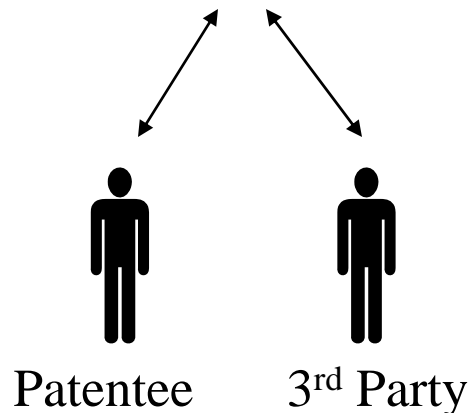
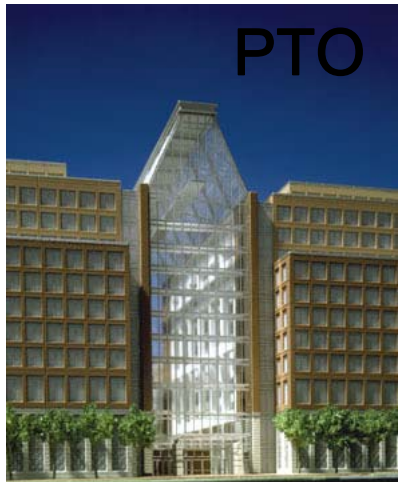
# Surge in Reexamination Filings

## Ex Parte Reexaminations in Litigation, 2000-2009





# Inter Partes Reexamination



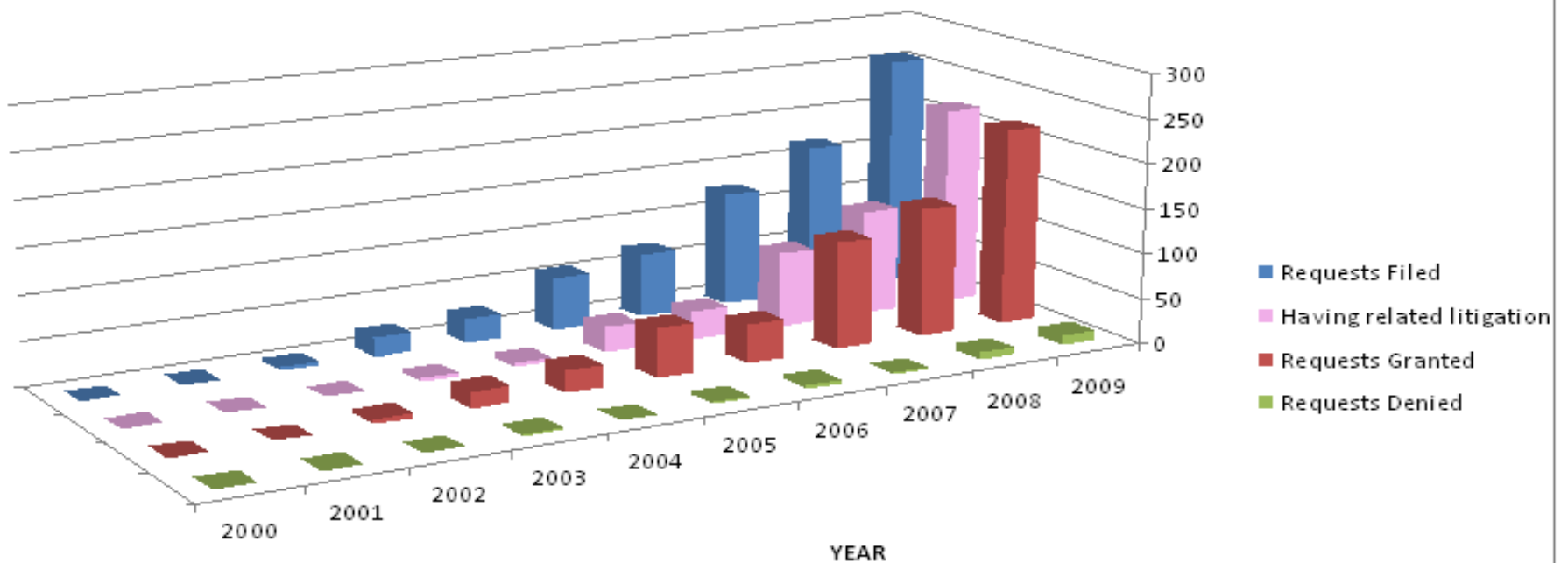
## INTER PARTES 35 USC § 311-318

- Third party requester initiates and participates in presenting arguments/evidence.
- **NO Broadening** of claims
- Third party requester **must be** identified.
- **More expensive**
- **No interviews.**
- **Potential requester estoppel (but not in ITC)**
- **Filing date on/after November 29, 1999.**
- Request must allege SNQ.
- PTO filing fee \$8800



# Many Patents Now Eligible for Inter Partes Reexamination

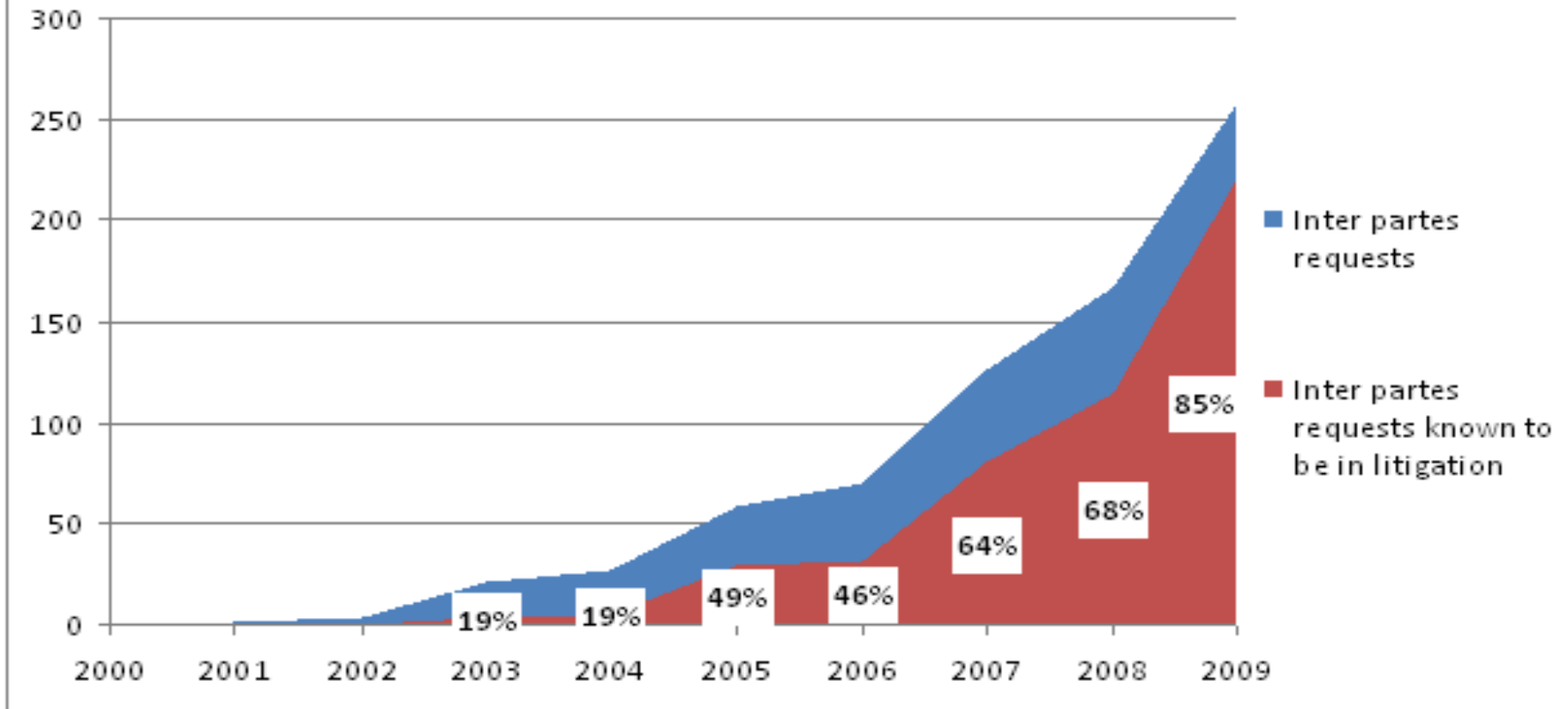
Inter Partes Reexaminations Overview





# Surge in Inter Partes Reexamination Filings

## Inter Partes Reexaminations in Litigation, 2000-2009





# I. Ex Parte & Inter Partes Reexam Statistics

	Ex Parte <sup>†</sup>	Inter Partes <sup>*</sup>
Percentage of requests for reexam granted	<b>92%</b>	<b>96%</b>
Percentage of reexams with all claims confirmed as valid	23%	8%
Percentage of reexams completed with all claims canceled	12%	<b>49%</b>
Percentage of reexams completed with claims amended	65%	41%
Average pendency from filing to certificate being issued	25 mos.	36 mos.
Recent average delay between filing and first office action	6-8 mos.	(N/A)

<sup>†</sup> Ex parte reexams through June 2010.

<sup>\*</sup> Inter partes reexams through June 2010.



# Reexamination vs. Litigation Standards

- SNQ –low standard (new light, *In re Swanson*) patents & printed pubs only
  - No 112 or 101 (new claims/amendments for 112)
- **No Presumption of Validity!**
- **Preponderance of Evidence** -- no clear and convincing!
- **Broadest reasonable claim interpretation**
  - Not bound by Markman!
- *Special dispatch*.....what does that mean?
  - No time extensions by right. No RCEs, 2 months or 1 month to respond to Office Action.
- Which Reexam type is best?



# Modern Patent Reexamination Uses

Patents that **are ideal** for reexamination (invalidity purposes):

- Broad claims (trolls)
  - Inject cost/uncertainty to contingency relationship
- Patents subject to inter partes reexam
- Predictable arts (KSR)
- Patents with alternative basis for attack
  - On sale bar, public use, inequitable conduct
  - Low risk



# Modern Patent Reexamination Uses

- Patents that are **less ideal** (invalidity purposes only)
  - Famous products (TiVo, Plavix, iPhone)
    - Secondary considerations of non-obviousness
  - Unpredictable arts (Chem, Bio/Pharma)
    - e.g., 112 is only attack
  - Large Portfolios (Rambus)
  - Portfolios with active continuations
  - **However complete invalidity is only ONE of MANY litigation purposes**





# Reexamination Uses (Pre-Suit Strategies)

## Casting a Cloud





# Reexamination Uses (Pre-Suit Strategies)

## Before Suit is Filed

- Attack anonymously (ex parte—avoid litigation)
  - Aggressively prepare for licensing negotiation
- Leverage opinion expense by converting to reexamination request (verify strength of position)
- Force broad patent to be narrowed (non-infringement)
- Secure intervening rights
- Attack reissue filing by initiating reexam merger



# Pre-Trial Strategies

## Pre-Trial

- Stay Pending Patent Reexamination
- Claim Changes
- Intervening Rights
- Willfulness/Ineq. Conduct
- Coloring Injunction Equities





# Stay (Pre-Trial Strategies)

## Stays

- Stays Pending Patent Reexamination
  - Discretionary--Depends on the Court a (Texas/Calif.)
  - Factor based
    - Prejudice
    - Simplify Issues
    - Discovery status
    - Stipulations?



# Stay (Pre-Trial Strategies)

## Stays

### ■ Prejudice

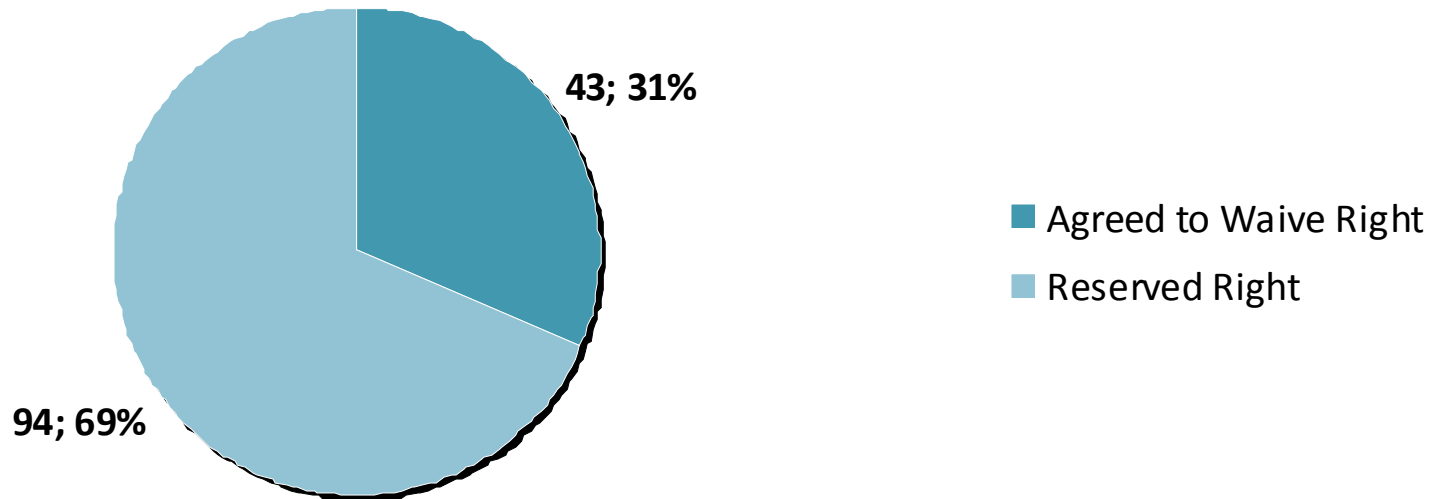
- Reexam pendency (long or indefinite?)
- Late filing/tactical advantage
- Direct competitors?
- Weight given to delay prejudice varies
  - IPR v. EXP
  - Stipulations?
  - Pilot Program? (10% rule)



# Stay (Pre-Trial Strategies)

## Pilot Program (Ex parte Only)

**Pilot Program for Waiver of Patent Owner's  
Statement (2010)\***



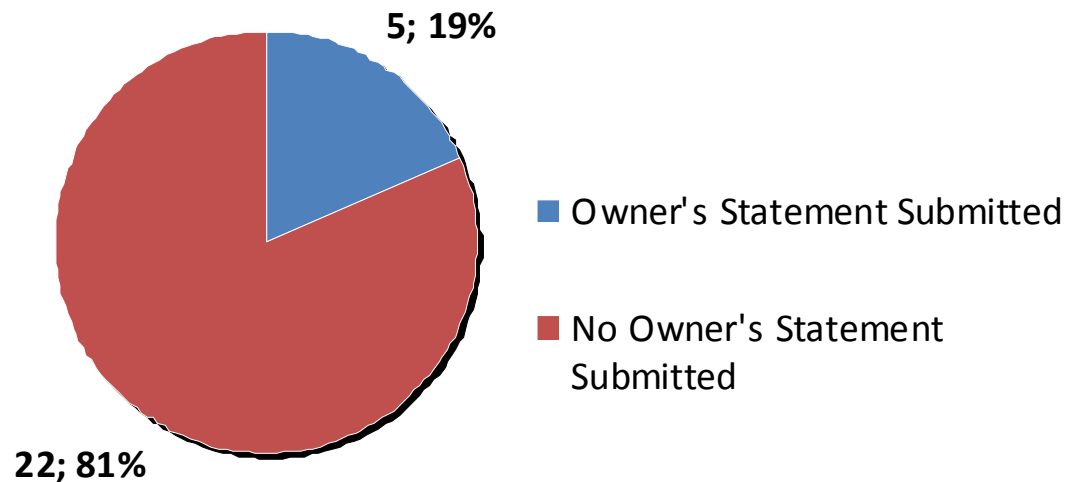
\*excludes Patentee requests. *PatentsPostGrant.com* January 7, 2011



# Stay (Pre-Trial Strategies)

## Pilot Program (Ex parte Only)

### Patent Owner Statements Reserved: Statements Submitted to Date (12/10)\*



\*excludes Patentee requests. *PatentsPostGrant.com* January 7, 2011



# Stay (Pre-Trial Strategies)

## Pilot Program (Ex parte Only)

- Too early to assess litigation bias
- Courts have cited to program
  - *Brass Smith LLC v. RPI Industries Inc.* (D.NJ). (Waived & Stayed)
- EXP more appealing for stay purposes?
  - Early engagement of Patentee
  - Fixed Schedule
  - Motion in opposition gold!
  - No Good Choice for Patentee





# Stay (Pre-Trial Strategies)

## Stays

- Simplification
- Statistics Abound... 12% or 77%
  - All patents in reexam?
  - Counterclaims? (trade secrets/antitrust)
  - Inequitable conduct alleged
- Discovery Status
- Stipulations?



# Stay (Pre-Trial Strategies)

## Forum Games

- Stays
- Texas, California & the ITC
- Texas Two-Step (defendants)
  - Transfer (*TS tech* mandamus if necessary)
  - Stay in reexam friendly forum (NDCA)
- ITC End-Around (plaintiffs)
  - *Motiva v. Nintendo*
  - Troll Remedy?
  - Domestic industry?



# Reduce Damage Exposure (Pre-Trial Strategies)

## Pre-Trial

- Intervening Rights (reduced damage exposure)
  - Absolute or equitable (investments)
- Amendment surrenders past damages
  - “Substantially identical” 35 USC § 252
  - “without substantive change” (*Slimfold Mfg.*)
  - *University of Virginia Patent Foundation v. General Electric Company* (WDVA, Opinion November 9, 2010)



# Claim Construction (Pre-Trial Strategies)

## Pre-Trial

- Claim Construction
  - file in advance of Markman
- Create prosecution estoppel (non-infringement/claim construction position)
- Self serving statements?
- 35 USC § 305 “distinguish the invention from the art.”
- *Beneficial Innovations, Inc. v. AOL, LLC. et al.*, 2-07-cv-00555 (TXED) (Ward, J.)



# Admissability?

But will the court consider reexamination evidence?

		Reexamination Stage			
		Reexamination Granted, No Rejections Issued	Reexamination Granted, Rejections Issued	Reexamination Proceedings Complete	
Litigation Stage	Pre-trial Evidentiary Motions				Evidence of Reexamination Most Likely to be Considered
	Summary Judgment Motions				Evidence of Reexamination May be Considered
					Evidence of Reexamination Least Likely to be Considered

PatentsPostGrant.com February 12, 2010



# Reexamination uses (Pre-Trial Strategies)

## Pre-trial cont'd

- Avoid Post Suit Willfulness Finding (MSFT tactic)
- Courts consider a factor of objectively reasonable behavior (In re Seagate).
- *TGIP, Inc v. AT&T Corp.*, 527 F.Supp.2d 561, 579 (E.D. Tex. 2007)
- Get jury thinking
  - Prejudicial? (jurisdiction dependent)
  - Trend is to exclude, especially if early stages



# Reexamination uses (Pre-Trial Strategies)

## Pre-trial cont'd

- Avoid preliminary injunction
  - Likelihood of success on the merits?
  - Magic words of In re Seagate
    - “a **substantial question** about invalidity or infringement is likely sufficient ... to avoid a preliminary injunction”
  - Advanced reexam = more weight
  - Backfire potential?



# Reexamination uses (Pre-Trial Strategies)

## Pre-trial cont'd

- Demonstrate materiality of undisclosed reference (inequitable conduct)
- Reasonable examiner standard demonstrated by USPTO
- Reexamination cannot cure
- Demonstrate good faith (intent)?
  - *Leviton Manufacturing* (CAFC 2010)





# Reexamination uses (Pre-Trial Strategies)

## Pre-trial (misc)

- Supplement co-defendant arguments
- Gain advantage over other joint defense defendants
  - Drop out of inter partes reexam as settlement tool
    - Ex parte easier, interviews?
  - Consent Judgment to Vacate?
  - Privies?



# Reexamination Uses (Post-Trial Strategies)

## Post-Trial

- Second chance? (Translogic v. Hitachi)
- Avoid Injunction (Ebay factors...balance of hardships?)
  - ITC v. Spansion (CAFC 2010)
- Reduce future license fees
  - Lear doctrine
- Vacate judgment/cause dismissal of case
- Race to conclusion (IPR)



# Conclusions

- **Trolls, CRU, changes in law, & litigation stays have led to increased reexamination filings.**
- **Reexamination provides many more benefits than just invalidity attack**
- **Consider court attitude to tactics/stays (TX, ITC)**
  - Consider transfer strategy (“Texas Two Step”)
- **Consider the benefits of reexamination prior to litigation**
- **Enhanced Positions = cost reduction**
  - Smaller settlements, shorter disputes
- **Keep on top of new tactics! (Pilot Program, ITC End Around, etc)**



# Thank You

## QUESTIONS?

For Daily Reexamination/Reissue Discussions  
Please Visit:

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