

Reexamination: The Tail that Wags the Dog

By Robert M. Asher

IP litigators appear to have blinders on when it comes to patent reexamination. All eyes are focused on winning the big event, the courtroom victory. To have the verdict upheld on appeal garners the ultimate win. While chasing the big dog of litigation, parties may be overlooking the power that can be wielded by the U.S. Patent and Trademark Office (“USPTO”) in a reexamination proceeding.

The \$500 million verdict in the *Eolas v. Microsoft* case is threatened by a USPTO reexamination of the patent-in-suit. A similar cloud hangs over the \$55 million verdict in the *NTP v. Research in Motion* case involving the Blackberry handheld device. When it comes to patent litigation, the USPTO should not be overlooked. This is not new. On Nov. 6, 1989, Gencor Industries, Inc. appealed a jury’s award of \$6 million for patent infringement damages. At the time of the appeal, the patent-in-suit was the subject of a reexamination proceeding in the USPTO. By May of 1991, the Board of Patent Appeals upheld a rejection of the claims. The Federal Circuit offered to consider staying the litigation in view of the reexamination.

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Both parties declined the invitation. On Dec. 31, 1991, the Federal Circuit affirmed the verdict of infringement and validity on behalf of patent owner Standard Havens Products, Inc., but remanded the damages award. Gencor, having failed to eliminate the patent infringement claim in the appeal, then moved to stay the permanent injunction and the damages proceeding in view of the reexamination then pending on appeal. The district court denied the stay. However, the Federal Circuit reversed, stating that “contrary to the assumption of the trial court, the reexamination proceeding “would control” the infringement suit.” *Standard Havens Products, Inc. v. Gencor Industries, Inc.*, 996 F. 2d 1236 (Fed. Cir. 1993) (unpublished). If claims are cancelled in reexamination, a court cannot enforce those claims.

OFFENSIVE USE OF REEXAMINATION

It should come as little surprise that in each of the three cases cited above, the reexamination was ordered by the Director (Commissioner) of the USPTO. While a losing defendant can seek reexamination of a patent after a court upholds its validity, and while the USPTO can act contrary to the court decision, it is less likely that the USPTO will act favorably toward a defendant who was unable to establish invalidity in court. More often than not, a plaintiff should be able to

persuade the USPTO that the patent claims should be left intact, consistent with the validity holding in court. Therefore, a plaintiff’s overriding concern understandably is getting into court and winning.

Nevertheless, a plaintiff can use reexamination or reissue to strengthen its patent by obtaining a second approval from the USPTO over a more complete record of prior art. A serious challenge to validity typically requires prior art that was not already before the USPTO. Therefore, a patentee is in the strongest position when the examiner has already considered all the material prior art. Thus, a litigation strategy starts very early when the application is pending. A patent applicant needs to make sure, to the extent possible, that material prior art is disclosed and considered by the USPTO. When the patentee wants to get the USPTO to take a look at additional art after the patent issues, it is best to file for reexamination or a reissue as soon as possible without alerting a potential defendant. An adverse party can interfere in a reissue application by filing a protest — a submission of prior art and arguments for the examiner to use against the application. The adverse party can interfere in a reexamination by filing its own request for reexamination and presenting arguments to the USPTO.

For recent patents (those filed on or

after Nov. 29, 1999), an alert potential defendant can request an *inter partes* reexamination. 37 C.F.R. §1.913. This will convert the patentee's *ex parte* proceeding into an *inter partes* proceeding. An *inter partes* reexamination has several disadvantages for the patentee. It gives the challenger the opportunity to comment on every action submitted by the patentee. Further, it gives the challenger an opportunity to appeal a decision favoring the patentee. Third, it cuts off a patentee's ability to negotiate orally with the examiner, as examiner interviews are prohibited in an *inter partes* reexamination. 37 C.F.R. §1.955.

If a patentee is interested in working out the best amended claims the examiner will allow, a reissue application is preferable. The reissue secures the right to an interview. Even while an *inter partes* reexamination is pending, a patentee can file a reissue application and potentially have it merged with the *inter partes* reexamination to regain the right to hold an oral interview and the ability to file a continuation application.

DEFENSIVE REEXAMINATION STRATEGIES

Should defendants place all their bets on the court proceeding? Often, defendants will properly hold reexamination in reserve for use in a last-ditch effort should the court proceedings go badly. The court offers the opportunity to present a wide variety of defenses and witnesses. Reexamination can only be used to challenge a patent on the basis of prior art patents or publications. Moreover, a reexamination allows a patentee to fix claims with amendments. Therefore, when it comes to mounting validity challenges against a patent, reexaminations are typically used when the objective is to avoid the overwhelming costs of litigation.

As for proving non-infringement, reexaminations have even greater usefulness. The reexamination can narrow or knock out claims thereby winning a non-infringement argument or bolstering a design around. Reexamination, even if it does not cancel patent claims, can force the patentee to make statements or amendments to preserve the patent. In doing so, the patent claims become narrowed due to limitations added by amendment. Even more importantly, the amendments and statements made in support of patentability result in prosecution history estoppel.

As of the 2002 Judicial Improvements Act, reexamination became the primary avenue for challenging a patent based upon references already considered by the USPTO. The Act authorizes reexaminations based on previously considered references so long as a substantial new question of patentability is identified. Whereas a court typically defers to the USPTO grant of a patent over already considered references, a fresh set of eyes in the USPTO will take aim at the patent in reexamination. There is no presumption of validity. The claims are not construed narrowly to preserve their validity, but rather are given their broadest reasonable interpretation. The USPTO, with the assistance of the requester, protects the public against an overly broad patent and rejects claims as it is well accustomed to doing during the prosecution of patent applications.

In addition, to the possibility of avoiding infringement liability, a defendant challenging a patent may significantly benefit from reexamination even if amended claims survive with a scope infringed by the defendant. If the amendment alters the scope of the claims, intervening rights absolve the defendant of past damages and may, on occasion, preclude enforcement of the

patent against a defendant's activities.

Sure, the parties can ignore reexamination. But these proceedings in the USPTO have the ability to control the outcome of litigation or prevent it from going forward. A plaintiff can lose an opportunity to strengthen its patent in advance of litigation, or licensing for that matter. A defendant may be foregoing a valuable tool for strengthening its non-infringement defense, eliminating damages or possibly derailing litigation.

Given the potential impact of reexamination on patent enforcement and litigation strategies, it would be naive to proceed without considering its value in a particular situation. Strategic decisions with regard to patent litigation thus require an understanding of not only patent law, jury trials, litigation and the Federal Circuit, but also patent prosecution before the USPTO and the peculiarities of reexamination practice. It appears that fewer firms are cultivating this unique combination of knowledge and experience in individual lawyers. Thus, when patent litigation arises, such individuals will be in high demand, thereby ensuring the involvement of patent attorneys in patent litigation for a long time to come.



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