

# An Introduction to Patent Reexamination Procedures and Strategic Decisions for Using the Same in Patent Litigation<sup>1</sup>

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## **Introduction**

Patent litigation costs have been well documented to be extremely costly. Any patent litigation is sure to involve several years of company-management time and effort, in-house and outside counsel, expert witnesses, and preparation of documents during discovery and trial. These and other factors gave rise to patent reexamination procedures first enacted in 1980 as *ex parte* reexamination, followed by *inter partes* reexamination procedure enacted in 1999. The following is a brief summary on *ex parte* and *inter partes* reexamination procedures and a guideline in making a decision whether or not to initiate such proceedings.<sup>3</sup>

## **Ex parte Reexamination**

Either a challenger or a patent holder may seek *ex parte* reexamination of a patent based on patents or printed publications that existed prior to the filing of the patent application.<sup>4</sup> The requester files a reexamination application pointing out prior arts and their pertinence to raising a Substantial New Question of Patentability (SNQP), and the PTO has three months from the date of filing to determine whether such a SNQP exists.<sup>5</sup> On November 2, 2002, legislation was enacted to overrule *In re Portola Packaging*, 110 F.3d 786 (Fed. Cir. 1997) wherein the Federal Circuit had held that a rejection made during reexamination must be supported by more than just prior art previously considered by the PTO during the original prosecution of the patent.<sup>6</sup> If the PTO finds in favor of such request, a reexamination of the patent is ordered.<sup>7</sup> A determination of no SNQP is final and non-appealable.<sup>8</sup>

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<sup>3</sup> See e.g. <http://www.bannerwitcoff.com/articles.cfm> and [http://www.thelenreid.com/articles/articles\\_idx.htm](http://www.thelenreid.com/articles/articles_idx.htm)

<sup>4</sup> 35 U.S.C. §§ 301, 302, 37 CFR §1.510.

<sup>5</sup> 35 U.S.C. §§ 303, 37 CFR §1.515.

<sup>6</sup> H.R. 2215. Public Law 107-273.

<sup>7</sup> 35 U.S.C. § 304, 37 CFR §1.525.

<sup>8</sup> 35 U.S.C. § 303.

If the PTO orders reexamination, the patent holder is given the opportunity to file a statement in response to the SNQP and may further amend or introduce new claims in the patent.<sup>9</sup> The amended or new claims may not broaden the scope of the original claims.<sup>10</sup> Should the patent holder decide to file a statement, he/she must serve the statement on the person requesting reexamination, and the requester has two months to file a reply to the patent owner's statement.<sup>11</sup> After this stage, the requester can no longer participate in the reexamination proceedings, and the PTO issues a certificate in which it may cancel any unpatentable claim, confirming any patentable claim, and incorporating in the patent any amended claim or new claim determined to be patentable.<sup>12</sup>

### **Inter Partes Reexamination**

An *inter partes* reexamination is similar to an *ex parte* reexamination in that they both may be initiated by a request from a challenger or a patent holder.<sup>13</sup> The same requirement of prior patents or printed publication is needed for such a reexamination.<sup>14</sup> Similarly, the PTO determines whether a SNQP exists<sup>15</sup> and if so an *inter partes* reexamination is ordered.<sup>16</sup> A SNQP may be raised solely on grounds of prior art patents and printed publication previously considered by the PTO during the original prosecution of the patent application.<sup>17</sup> Just as in an *ex parte* reexamination, the third party requester will be provided a copy of the patent owner's responses to Office Actions. However, unlike an *ex parte* proceeding, the third party requester may reply to the Office Actions and to the patent owner's responses.<sup>18</sup> An adverse decision by the Examiner may be appealed either by the patent owner or the third party requester to the PTO Board of Patent Appeals and Interferences (BPAI). An adverse determination by the BPAI may be appealed to the U.S. Court of Appeals for the Federal Circuit,<sup>19</sup> contrary to an *ex parte* proceeding where an adverse determination cannot be appealed either to the BPAI or the U.S. Court of Appeals. An important difference between an *inter partes* and *ex parte* reexamination proceedings concerns *estoppel*. In an *inter partes* proceeding, the requester will be estopped, in subsequent litigation in a district court or a subsequent *inter partes* proceeding, to assert the invalidity of any claim finally determined to be valid on any ground which is raised or could have been raised in the *inter partes* reexamination.<sup>20</sup>

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<sup>9</sup> 35 U.S.C. §§ 304, 305, 37 CFR §1.530(b).

<sup>10</sup> 35 U.S.C. § 305.

<sup>11</sup> 35 U.S.C. §§ 304, 37 CFR §1.535.

<sup>12</sup> 35 U.S.C. § 307, 37 CFR § 1.570.

<sup>13</sup> 35 U.S.C. §§ 302, 311(a), 37 CFR §§ 1.510, 1.913.

<sup>14</sup> *Id.*

<sup>15</sup> 35 U.S.C. §§ 303, 312(a), 37 CFR §§ 1.513, 1.931.

<sup>16</sup> 35 U.S.C. §313, 37 CFR §1.931.

<sup>17</sup> See footnote 4.

<sup>18</sup> 35 U.S.C. §314(b), 37 CFR §1.947.

<sup>19</sup> 35 U.S.C. §315, 37 CFR §1.959

<sup>20</sup> 35 U.S.C. §§315©, 317(b).

## **Strategic Decisions**

Either a patentee or a third party challenger may request reexamination. Reexamination proceeding can be an important tool to address questions of patentability and/or validity before, during, or as a substitute for litigation. Though a decision to institute an *ex parte* or *inter partes* reexamination is made on a case-by-case basis, there are objective criteria to assist the requester in making a decision.

A third party challenger may institute a reexamination proceeding to invalidate a patent or to limit the scope of the patent claims in order to reduce cost or completely avoid litigation.

The third party challenger may also send the prior art directly to the patentee explaining its pertinency to the pending claims. The patentee would then be obligated to disclose the art to the PTO, or risk violation of the duty of disclosure. If the patentee fails to disclose the prior art, the third party challenger may have created an inequitable conduct defense.

Two recent Supreme Court cases, *Markman v. Westview Instruments, Inc.*, and *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, involved claim construction, under which a third party challenger may force the patentee to make narrowing amendments thus avoiding the third party challenger's product, or to make statements which would implicate the doctrine of prosecution history estoppel.

If a request for reexamination is filed, it will likely be granted. Any claims surviving reexamination will have been twice blessed by the PTO, rendering successful arguments for invalidity far more difficult. (See *Transmatic, Inc. v. Gulton Industries, Inc.*) Despite the possibility of "twice blessed" claims, there may be good reasons for the third party challenger to assume the risks associated with requesting reexamination. For example, where the prior art references are strong and/or involve complex technology, a third party challenger may prefer to make his case to a technically trained examiner rather than to a judge or jury.

The grant of reexamination itself also establishes the "materiality" of the cited references. If the evidence shows that the patentee (or his attorneys) were aware of the art during prosecution, and failed to disclose it, the third party challenger may have established the bases for an inequitable conduct defense. A third party challenger will, at least, be able to avoid any summary determination of validity in litigation where reexamination is granted.

A third party challenger may prefer reexamination since the standards of proof are different in litigation and reexamination. In litigation, to prove invalidity, a challenger must come with clear and convincing evidence to meet his burden whereas in a reexamination, a preponderance of evidence will suffice.

On the other hand, a patentee may request reexamination to clear prior art clouds raised by accused infringers. By submitting such prior art to PTO and initiating a reexamination, the patentee hopes to obtain a favorable decision concerning patentability and/or invalidity, thereby strengthening his position for future litigation.

Another reason for a patentee to institute a reexamination proceeding may be motivated by the discovery of new information concerning the accused infringer's product. In this case, the patentee seeks to reaffirm the validity of issued claims covering the accused product.

A patentee may also file a reexamination request urging that the prior art being offered does not present a SNQP. This action results in PTO consideration of the art, and effectively neutralizes the accused infringer's prior art if the request is denied. The patentee then may be in a strong position to successfully persuade a court to enter a summary judgment of validity. A district court, though not bound by the PTO's confirmation of patent claims, should give credence to the proceeding in which validity is challenged in district court based on the same prior art presented during reexamination. (See *Custom Accessories, Inc. v. Jeffrey-Allan Industries, Inc.*)

No single answer exists to the questions of whether and how a reexamination proceeding should be used in patent litigation. Instead, each case requires an assessment of the pros and cons concerning these proceedings in accordance with overall litigation strategy.