



**IP LITIGATION:
OPTIONS FOR USE/TREATMENT OF
POTENTIALLY INVALIDATING PRIOR ART**

**Presented to YKI Patent Attorneys
June 30, 2009**

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General Scenario

- **Accused infringer identifies prior art that it would like to rely on to render patent invalid**
- **Alternatively, accused infringer would like to secure substantial leverage during licensing negotiations**
- **How should the accused infringer proceed? Are any options available to the patentee to minimize the impact of the reference(s)?**

Alternative Avenues For The Treatment Of Potentially Invalidating Prior Art

- **Litigation**
- **Reexamination**
 - *Ex parte*
 - *Inter partes*
- **Reissue (patentee only)**

Asserting Invalidity During Litigation

- **Challenges for accused infringer**
 - **Presumption of validity—35 U.S.C. § 282**
 - **Clear and convincing burden of proof for each individual claim**
 - **Accused infringer proceeds second at trial—will need to overcome patentee’s negative characterizations of willful conduct to the jury, which may leave an impression of “giving excuses”**

Presumption Of Validity

- **35 U.S.C. § 282**

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim....

Impact Of Presumption

- **Juries, and judges, tend to respect the presumption**
 - Examiner is presumed to be an “expert in his field of examination” [*Application of Lemin*, 364 F.2d 864, 867 (C.C.P.A. 1966)]
 - Examiner is presumed to have done his job correctly [*Semiconductor Energy Lab. Co., Ltd v. Samsung Electronics, Co.*, 204 F.3d 1368, 1377 (Fed. Cir. 2000)]
- **Each claim stands and falls alone**
 - Accused infringer must overcome presumption for each claim by clear and convincing evidence

Burden Of Proof

- **Clear and convincing proof**
 - Highest civil standard
 - “‘Clear and convincing’ evidence has been described as evidence which produces in the mind of the trier of fact an abiding conviction that the truth of a factual contention is ‘highly probable.’”
Price v. Symsek, 988 F.2d 1187, 1191 (Fed. Cir. 1993).

Patentee's Trial Strategy Will Create An Inhospitable Atmosphere For Arguing That The Patent Claims Are Invalid

- **Patentee will attempt to characterize accused infringer in highly negative light**
 - Theme of patentee's case will be willful and deliberate infringement
 - Patentee will attempt to give jury the impression that the accused infringer is merely a "copy cat"
 - May sway jury's opinion of accused infringer before any invalidity arguments are presented

Summary—Litigation

- **Favors patentee**
- **Accused infringer faces uphill battle**
- **While patentee need only prove infringement of one asserted claim to win on liability, accused infringer must establish non-infringement or invalidity for each asserted claim**

Reexamination

- **35 U.S.C. § 302**

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing...The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested...

Reexamination

- **PTO will only consider prior art defenses**
 - Patents
 - Printed Publications
 - § 101, § 112, inequitable conduct cannot form the basis for reexamination request—but, by deliberately including such improper grounds in the request, accused infringer can put public (and patentee) on notice of other potential weaknesses
 - PTO cannot reject claims during reexamination over the identical combinations of prior art that were originally before the examiner
- **Reexamination cannot be ordered by a district court [*In re Continental General Tire, Inc.*, 81 F.3d 1089, 1092 (Fed. Cir. 1996)]**

***Ex Parte* Reexamination**

- **Can be requested by the patentee or by a third party (ex., accused infringer)**
 - **If a third party requests the reexamination, that party's identity can be withheld from the patentee**
- **No participation by the accused infringer**
 - **Exception: If a third party's request for *ex parte* reexamination is rejected by the examiner, third party requester may petition the Director of the USPTO for review of the examiner's decision**

***Ex Parte* Reexamination**

- **Allows the USPTO to reconsider the validity of issued claims in light of prior art patents or publications that create a substantial new question of patentability**
 - **Prior art patents or publications that do not raise substantial new questions of patentability will not suffice as grounds to initiate a reexamination**
- **Opportunity for patentee to present prior art in most favorable light free of the adversarial process that accompanies litigation**

Ex Parte Reexamination

- **Essentially a reopening of prosecution**
- **Patentee can narrow claims to avoid prior art**

How Common Is *Ex Parte* Reexamination? USPTO Statistics

TABLE 13A

**EX PARTE REEXAMINATION
(FY 2004 - FY 2008)**

Activity	2004	2005	2006	2007	2008
Requests filed, total	441	524	511	643	680
By patent owner	166	166	129	124	87
By third party	268	358	382	519	593
Commissioner ordered	7	-	-	-	-
Determinations on requests, total	419	537	458	594	666
Requests granted:					
By examiner	408	509	422	575	626
By petition	-	2	5	2	-
Requests denied	11	26	31	17	40
Requests known to have related litigation	138	176	229	369	316
Filings by discipline, total	441	524	511	643	680
Chemical	130	138	118	133	138
Electrical	156	188	228	275	305
Mechanical	155	198	165	235	237

- Represents zero.

Inter Partes Reexamination

- **35 U.S.C. § 311**

(a) In general.—Any third-party requester at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301. (b) Requirements. The request shall-- (1) be in writing, include the identity of the real party in interest, and be accompanied by payment of an inter partes reexamination fee established by the Director under section 41; and (2) set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested.

***Inter Partes* Reexamination**

- **Identity of *inter partes* requestor/participant must be disclosed to the patentee**
- **Accused infringer can file comments for consideration by the examiner in response to patentee's responses to office actions**
 - **Specific time periods are designated for action by the USPTO and responses thereto; intended to streamline the reexamination process**

***Inter Partes* Reexamination**

- **Significant estoppel effect**
- **Civil litigation—35 U.S.C. § 315(c):**
 - **Estopped from asserting the invalidity of any claim determined to be valid and patentable “on any ground” which could have been raised during the proceedings**
- **Limitation on further reexamination requests—35 U.S.C. § 317(b):**
 - **No *inter partes* reexamination request on the basis of issues which could have been raised before. Limited exception for the assertion of invalidity “based on newly discovered prior art unavailable” to the third party requestor and the USPTO at the time of the reexamination**

How Common Is *Inter Partes* Reexamination? USPTO Statistics

TABLE 13B

**INTER PARTES REEXAMINATION
(FY 2004 - FY 2008)**

Activity	2004	2005	2006	2007	2008
Requests filed, total	27	59	70	126	168
Determinations on requests, total	25	57	47	119	150
Requests granted:	25	54	43	118	142
By examiner	25	54	43	118	142
By petition	-	-	-	-	-
Requests denied	-	3	4	1	8
Requests known to have related litigation	5	29	32	81	115
Filings by discipline, total	27	59	70	126	168
Chemical	6	17	17	30	38
Electrical	7	20	27	53	67
Mechanical	14	22	26	43	63

- Represents zero.

Staying Litigation For Reexamination

- **Any party to the litigation can seek a stay of the litigation until reexamination is completed**
- **Factors considered by Courts in deciding whether to grant stay:**
 - **Whether stay would unduly prejudice or present a clear tactical disadvantage for the non-moving party**
 - **Whether stay will simplify the issues in question and the trial of the case**
 - **Whether discovery is complete and whether a trial date has been set**

Staying Litigation For Reexamination

- For *inter partes* reexamination, the patent owner is entitled to a stay unless the Court finds that a stay would not be in the “interests of justice”
 - For example, if a preliminary injunction is in place, the Court may conclude that it is not in the interests of justice to grant stay
- Likelihood of “simplifying the issues” is greater with *inter partes* reexamination than with *ex parte* reexamination
- Stays are granted more often than not

Inconsistent Court and PTO Decisions

- **Decision of invalidity controls**
- ***Translogic v. Hitachi***
 - **PTO: claims invalid on reexamination**
 - **District Court: claims valid**
 - **Both decisions appealed to the Federal Circuit**
 - **PTO affirmed**
 - **District court instructed to dismiss case**

Inconsistent Court and PTO Decisions

- ***In re Swanson***
 - **Federal Circuit affirmed the validity of a patent on review from district court**
 - **Federal Circuit affirmed the invalidity of the same patent on appeal from the PTO**

Inconsistent Court and PTO Decisions

- *In re Swanson*
 - PTO used same prior art to invalidate the patent that was used in the district court
 - “substantial new question of patentability” means not previously considered by the PTO
 - Since litigation was final before reexamination decision, infringer does not get the damages it paid returned
 - This underscores the importance of a stay

Inconsistent Court and PTO Decisions

- ***Blackboard v. Desire 2 Learn***
 - District Court: patent valid and infringed
 - Injunction entered
 - PTO reexamination: claims rejected as obvious (initial rejection)

- ***Standard Havens v. Gencor Industries***
 - Federal Circuit ordered district court to stay imposition of a permanent injunction
 - PTO Board of Patent Appeals and Interferences affirmed invalidity
 - Patent owner appealed to District Court for the District of Columbia

Reexamination Requested By Patentee— Advantages

- **Friendly forum (?)**
- **Potential for *ex parte* proceeding**
- **Substantial benefits if successful**

Friendly Forum—Cheap(er) And Fast(er)

- **No true “adverse” party—need only convince patent examiner that prior art is inapplicable**
- **Significantly less expensive than civil litigation**
- **May be faster/more efficient than civil litigation**
 - **35 U.S.C. § 305/35 U.S.C. § 314(c): “special dispatch”**
 - **But “special dispatch” is undefined by statute**

Reexamination Requested By Patentee— Disadvantages

- **No presumption of validity**
- **PTO considers patentability of claims under preponderance of evidence standard, a lower standard than would be applied in civil litigation**

Reexamination Requested By Patentee— Disadvantages

- **Potential for intervening rights**
 - **Accused infringer can avoid liability if products infringes reexamined/amended patent claims, but would not have infringed original patent claims**
 - **Damages may be otherwise limited if patentee makes substantial changes**
- **Inequitable conduct considerations**
 - **If patentee knew of prior art at time of original prosecution and did not disclose it, materiality element of inequitable conduct is met—accused infringer need only prove intent**

Reexamination Requested By Accused Infringer— Advantages

- **No presumption of validity**
- **PTO applies preponderance of evidence standard**
- **PTO gives claim terms their broadest reasonable interpretations**

Reexamination Requested By Accused Infringer— Advantages

- **Litigation may be stayed**
- **Requesting reexamination is significantly more affordable than litigation**
- **Injunction considerations**
 - **If Patent is tied up in reexamination, injunction may not issue**
 - **This may effectively negate patentee's injunctive power if patent is close to expiration**

Reexamination Requested By Accused Infringer— Advantages

- **Inequitable conduct**
 - If examiner relies on reference to reject claims, materiality element is met
- **Even if accused infringer “loses” reexamination, patentee may have made admissions in the process of reexamination that create or strengthen non-infringement positions**

Reexamination Requested By Accused Infringer— Advantages

- ***Ex Parte***—confidentiality
 - Allows interested parties anticipating infringement allegation to indirectly delay or disrupt patentee’s enforcement strategies
- ***Inter Partes***—active participation
 - Allows interested parties to directly rebut statements made by patentee to examiner and may force patentee to make narrowing statements on the record

Reexamination Requested By Accused Infringer— Advantages

- **If successful and patent claims are finally rejected, patentee cannot reclaim through new filings—MPEP § 2271:**
 - “[A] reexamination proceeding may result in the final cancellation of claims from the patent...the patent owner does not have the right to renew or continue the proceedings by refiling under 37 CFR 1.53(b) or 1.53(d) or former 37 CFR 1.60 or 1.62, nor by filing a request for continued examination under 37 CFR 1.114.”
- **Right to appeal an adverse *inter partes* decision—35 U.S.C. § 315**
 - **Either the patentee or accused infringer may appeal an adverse finding by an examiner to the Board Of Patent Appeals And Interferences**
 - **Either party may appeal an adverse determination of the Board to the Federal Circuit**

Reexamination Requested By Accused Infringer— Disadvantages

- **Estoppel**
 - ***Ex parte* reexamination: if unsuccessful, prior art is rendered effectively useless—“sanitized” as a result of PTO’s consideration and rejection**
 - ***Inter partes* reexamination: if PTO determines that a claim is valid over the accused infringer’s objection, accused infringer cannot subsequently defend against infringement on the basis of any ground that might have been raised during the reexamination**
 - **Limited scope—patents and printed publications only**

Summary—Reexamination

- **Benefit if patentee successful**
 - Extra deference from district court—PTO has reaffirmed patentability
 - Patent’s presumption of validity is reestablished, even in light of the new prior art
 - New prior art is made part of the official prosecution history, thereby significantly reducing its usefulness to potential infringers
- **Benefit if accused infringer successful**
 - Patent threat is removed for minimal cost

Another Option For Patentee When Faced With New Prior Art References—Reissue Proceeding

- **Allows patentee to correct an error in an issued patent, such as claims being too narrow or too broad, failure to claim foreign priority, and failure to make reference to prior copending application— 35 U.S.C. § 251**
- **Claims may be broadened if the reissue application is filed within 2 years from the issue date of the patent**
- **Narrowing reissue may be filed before or after 2 years of issue date of the patent**

Reissue Proceeding

- **To initiate a reissue proceeding, the patentee must surrender the issued patent—which means that the patent cannot be enforced for the duration of the reissue proceeding**
- **If patentee concludes that the claims, as originally issued, are too broad, the patentee could seek to narrow the claims via a reissue application to avoid the accused infringer’s prior art reference [*In re Amos*, 953 F.2d 613, 616 (Fed. Cir. 1991)]**

Limitations Of Reissue

- **Doctrine of Recapture: Patentee cannot reclaim subject matter that was relinquished to obtain original patent**
- **At no time can the patentee introduce new matter**
- **Error that the patentee seeks to remedy must have been committed “without any deceptive intent.” Therefore, reissue proceedings cannot be used to eliminate inequitable conduct where a prior art reference was intentionally withheld during the original prosecution**

Disadvantages Of Reissue

- **Intervening rights**
 - **35 U.S.C. § 252: if accused infringer began manufacturing a product prior to the grant of the reissued patent, and that product would not have infringed the original patent, but does infringe the reissued patent, accused infringer acquires intervening rights [*Fortel Corp. v. Phone-Mate, Inc.*, 825 F.2d 1577 (Fed. Cir. 1987)]**
- **Extends prosecution history—potential for the addition of statements that may later give rise to prosecution history estoppel**

Summary Of Three Procedures

	<i>Ex Parte</i> Reexamination	<i>Inter Partes</i> Reexamination	Reissue
Purpose	Allows reconsideration by the USPTO of the validity of issued claims in light prior art patents or publications that create a <u>substantially new question of patentability</u> . 35 U.S.C. § 304.	Allows reconsideration by the USPTO of the validity of issued claims in light prior art patents or publications that create a <u>substantially new question of patentability</u> . 35 U.S.C. § 311.	Allows patentee to correct an error in an issued patent, such as claims being too narrow or too broad, failure to claim foreign priority, and failure to make reference to prior copending applications. 35 U.S.C. § 251.
Requestor	Patentee or third party (identity of the requesting third party can be withheld)	Third party (identity of the requesting third party must be disclosed)	Patentee
Participation	Only Patentee ¹	Patentee and third party ²	Only Patentee
Amendments to Claims	Claims can only be narrowed	Claims can only be narrowed	Claims may be broadened if the reissue application is filed within 2 years from the issue date of patent. Narrowing reissue may be filed before or after 2 years of issue date of patent.
Other Issues	One-sided procedure where only the patentee can participate in a meaningful way	Third party can substantively participate in the reexamination procedure	Doctrine of Recapture: Patentee cannot reclaim subject matter that was relinquished to obtain original patent
Risks	<u>Third party:</u> patent may still result even though patents or publications submitted create a substantially new question of patentability establishing a presumption of validity with respect to such references. <u>Patentee:</u> USPTO may determine that patent is invalid in view of patents or publications submitted	<u>Third Party:</u> Estoppel - If USPTO orders <i>inter partes</i> reexamination and finally determines that a claim is valid, the challenging third party cannot defend an infringement suit on grounds that they could have raised during the <i>inter partes</i> reexamination, nor can third party submit additional reexamination requests as to prior art it was aware of earlier <u>Patentee:</u> same as for <i>ex parte</i> reexamination	<u>Patentee:</u> must surrender patent for reissue procedure

¹ Requester, including a third party requester, may seek review of a petition to the Director of the USPTO of an examiner's determination refusing *ex parte* reexamination. Additionally, if the examiner orders *ex parte* reexamination, the third party requester may respond to the Patent Owner's statement under 37 CFR § 1.530 that points out why the claimed subject matter is not anticipated or obvious in view of the patents and/or publications submitted. The third party may not substantively participate in the *ex parte* reexamination after they respond to the Patent Owner's statement. 37 CFR § 1.535.

² During *inter partes* reexamination, the third party requestor may file comments for consideration by the examiner in response to the patentee's response to office actions.

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