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**INTER PARTES REEXAMINATION OF PATENTS: AN EMPIRICAL EVALUATION**

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## **\*2 I. Introduction**

The inter partes reexamination procedure was created by Congress in 1999 as a litigation alternative to challenge a patent's validity.<sup>1</sup> While it is certainly less expensive than litigation,<sup>2</sup> it has been criticized as unfair and unfavorable to challengers of patent validity.<sup>3</sup> What is missing, however, is an empirical study of the results of inter partes reexamination proceedings--how the examiners at the United States Patent & Trademark Office (PTO) made final decisions in these proceedings.<sup>4</sup>

To determine whether inter partes reexamination is a realistic alternative to litigation for third party challengers, we studied all inter partes reexamination requests filed through the end of 2005 and focused on those where the PTO examiner issued a final decision. The results are quite interesting and not entirely expected. Notably, we found that examiners readily rejected claims--often in the absence of a single anticipating prior art reference.

We present this article in the following structure. Part II summarizes the historical development of reexamination. Part III introduces the procedures for inter partes reexamination. Part IV describes our empirical study of inter partes proceedings. Part V draws upon the empirical study results and discusses the factors \*3 that affect the decision to request inter partes reexamination. Part VI applies the empirical study to comment on recent post-grant review proposals. Part VII concludes that, in certain circumstances, inter partes reexamination can be an effective alternative to litigation.

## **II. The Historical Development Of Reexamination**

Inter partes reexamination owes its lineage to ex parte reexamination, which was introduced by Congress in 1980 in the Reexamination Act.<sup>5</sup> By enacting the ex parte reexamination statute, Congress sought to "strengthen investor confidence in the certainty of patent rights by establishing a system of administrative reexamination of doubtful patents, and without recourse to expensive and lengthy infringement litigation."<sup>6</sup>

A request for ex parte reexamination (known simply as "reexamination" until the introduction of inter partes reexamination) may be filed by any person, including the patent owner, a third party, or the Director of the PTO.<sup>7</sup> The request must be based on a prior art patent or printed publication and compare the prior art to one or more claims of the patent.<sup>8</sup> Other grounds for invalidity, such as public use or the sale of a prior product, are not considered in reexamination.<sup>9</sup> The PTO currently charges a filing fee of \$2,520.<sup>10</sup>

Within three months from the filing of the request, the PTO decides whether the request raises a substantial new question of patentability for any claim of the patent.<sup>11</sup> If the PTO decides that a substantial new question of patentability is raised, the PTO grants the request and ex parte reexamination is initiated.<sup>12</sup> This substantial new question of patentability is raised where there is a "substantial \*4 likelihood that a reasonable examiner would consider the prior art patent or printed publication important in deciding whether or not the claim is patentable."<sup>13</sup> This standard is fairly easy to meet, and 93% of ex parte reexamination requests filed from 2001 through 2005 were granted.<sup>14</sup>

Once the request for ex parte reexamination is granted, the patent owner may file a statement in support of patentability, and the third party requester may then file a response.<sup>15</sup> After that, the third party requester can no longer participate in the reexamination process, and the proceeding is conducted using some of the same procedures as used for initial examination of original patent applications.<sup>16</sup> For example, the patent owner may conduct personal or telephone interviews with the examiner<sup>17</sup> and may amend or add new claims.<sup>18</sup> However, the amended or new claims cannot broaden the original claim scope.<sup>19</sup> Claims are construed by the examiner using the broadest reasonable interpretation consistent with the specification and without a presumption of validity.<sup>20</sup> The patent owner may appeal an adverse decision of the examiner to the Board of Patent Appeals and Interferences (BPAI), and from the BPAI to the Federal Circuit, but the third party requester cannot appeal.<sup>21</sup>

After the time for appeal has expired or the appeal proceeding has terminated, the PTO issues a reexamination certificate to close the matter.<sup>22</sup> The certificate cancels claims that are rejected as unpatentable, confirms claims that are \*5 allowed as patentable, and lists amended or new claims that are allowed.<sup>23</sup> The reexamination proceedings, including appeals to BPAI, must be conducted "in special dispatch," i.e., in an expedited matter having priority over the normal proceedings.<sup>24</sup>

As the preceding description shows, ex parte reexamination provides very limited participation opportunities for a third party requester and only at the beginning stage.<sup>25</sup> Once it files the initial request, the third party requester is typically cut off from

the reexamination process. The only other opportunity for the third party requester to be heard is to respond to the patent owner's statement, also filed at the beginning of the reexamination process.<sup>26</sup> A smart patent owner, however, would normally forego the filing of the statement to prevent the third party response.<sup>27</sup> Not surprisingly, ex parte reexamination is considered unfavorable to third party challengers.<sup>28</sup>

Empirical data supports this conclusion. According to PTO statistics on the several thousand ex parte reexamination proceedings conducted between 1981 and 2003, 26% of proceedings resulted in all claims confirmed, 10% resulted in all claims cancelled, and 64% resulted in claims amended and allowed.<sup>29</sup> This means that claims are more than twice as likely to be confirmed rather than cancelled. While the 64% rate of claims amended and allowed represents a "black box" of ambiguity, we believe such amended and allowed claims likely favor the patentee. It would be unwise for a patent owner to narrow claims into a scope that does not cover market products; such claims, even if distinguishable over prior art, would \*6 be useless to the patent owner. A rational patent owner would alter claims into a scope that still covers market products, even if this means risking rejection over prior art. Such risk-taking is even more rational considering that the patent owner can negotiate with the PTO examiner and appeal the examiner's adverse decision to the BPAI and the Federal Circuit, all without the third party challenger's participation.<sup>30</sup> Therefore, a large portion of this 64% of proceedings likely resulted in allowed claims that cover market products, i.e., claims that favor the patent owner.

In 1999, facing criticism that the existing reexamination procedure unfairly favors patent owners, Congress passed the Optional Inter Partes Reexamination Procedure Act of 1999 as part of the American Inventor's Protection Act of 1999.<sup>31</sup> This act created an inter partes reexamination procedure for patents filed on or after November 29, 1999. Inter partes reexamination is "optional" because a third party can request either ex parte or inter partes reexamination for patents filed on or after November 29, 1999.<sup>32</sup> For patents filed before this date, only ex parte reexamination is available.<sup>33</sup>

### **III. The Procedures For Inter Partes Reexamination**

An inter partes proceeding starts with a request for inter partes examination, which may be filed by any third party requester.<sup>34</sup> The PTO charges a filing fee of \$8,800.<sup>35</sup> Like a request for ex parte reexamination, an inter partes request must be based on prior art patents or printed publication and must compare the prior art references to one or more claims of the patent.<sup>36</sup> Other grounds of invalidity, such as public use or the sale of a prior product, are not considered in reexamination.<sup>37</sup> Unlike an ex parte request, an inter partes request must identify the real party in interest, not just the attorney representing the challenger.<sup>38</sup>

The PTO's determination process for the inter partes request is similar to that for an ex parte request. Within three months after the filing of an inter partes request, the PTO must decide whether the request has raised a substantial new question of patentability for any claim of the patent.<sup>39</sup> The request--and the rest of the reexamination proceeding--is typically assigned to an experienced primary examiner at the PTO who is familiar with the subject matter of the patent but did not originally examine the patent.<sup>40</sup> The requirement to assign an examiner other than the examiner who allowed the original patent is intended to prevent potential bias.<sup>41</sup> Recently, the PTO established a Central Reexamination Unit to house twenty experienced primary examiners concentrating solely on reexaminations, including inter partes reexaminations.<sup>42</sup>

If a substantial new question of patentability is raised, the PTO grants the request and inter partes reexamination proceeds.<sup>43</sup> Like ex parte reexamination, a substantial new question of patentability is raised where "there is a substantial likelihood that a reasonable examiner would consider the prior art patent or printed publication important in deciding whether or not the claim is patentable."<sup>44</sup> This standard is easy to meet, and 96% of all inter partes reexamination requests filed through 2005 were granted.<sup>45</sup>

\*8 Once an inter partes reexamination request is granted, a PTO examiner will issue an initial Office Action to either allow or cancel the claims of the patent.<sup>46</sup> The initial Office Action is usually issued at the same time as the order granting the reexamination and in any event within two months from the mailing of the order.<sup>47</sup> Just like in ex parte reexamination, the patent claims are construed by the examiner using the broadest reasonable interpretation and without a presumption of validity.<sup>48</sup>

After receiving an Office Action, the patent owner may respond with arguments and may amend claims or add new claims without broadening the original claim scope.<sup>49</sup> Significantly, the third party requester may file written comments to the examiner to reply to every patent owner response.<sup>50</sup> This stands in sharp contrast with ex parte reexaminations which severely

limit the third party requester's participation. Unlike *ex parte* reexaminations, interviews on the merits with the examiner are prohibited in *inter partes* proceedings.<sup>51</sup>

After the examiner has received the parties' arguments and considered the issues more than once, the examiner issues an Action Closing Prosecution.<sup>52</sup> This term is a misnomer because it is not a final action completing the prosecution.<sup>53</sup> Instead, it is an Office Action that addresses all issues of patentability and gives the parties one final chance to persuade the examiner.<sup>54</sup>

After reviewing each party's response to the Action Closing Prosecution, the examiner's final decision comes in the form of a Right of Appeal Notice.<sup>55</sup> This is essentially a Final Office Action that rejects or allows the claims and addresses the parties' arguments. This notice, as the name suggests, completes reexamination \*9 at the examiner level and allows the patent owner and/or the challenger to appeal to the BPAI, and potentially to the Federal Circuit.<sup>56</sup>

As a quality assurance mechanism and to counter the perception that a patent owner can unfairly influence the examiner assigned to the reexamination, the PTO conducts Patentability Review Conferences before issuing an Action Closing Prosecution and before issuing a Right of Appeal Notice that includes a final rejection.<sup>57</sup> A Patentability Review Conference is attended by three examiners: the examiner assigned to the reexamination, and two other examiners.<sup>58</sup> At the conference, the examiners discuss the patentability issues and confirm or reject the preliminary decision of the examiner assigned to the reexamination.<sup>59</sup>

After the time for appeal has expired or the appeal proceeding has terminated, the PTO issues a Notice of Intent to Issue Reexamination Certificate, which indicates the decision to issue a reexamination certificate.<sup>60</sup> The publication division at the PTO then formally issues a reexamination certificate to complete the proceeding.<sup>61</sup> The certificate cancels claims that are rejected as unpatentable, confirms claims that are allowed as patentable, and lists amended or new claims that are allowed.<sup>62</sup> The *inter partes* reexamination proceedings, including appeals to BPAI, must be conducted "in special dispatch," i.e., in an expedited manner having priority over the normal proceedings.<sup>63</sup> Reexaminations of patents involved in litigation are processed with even higher priority.<sup>64</sup>

A controversial provision of *inter partes* reexamination involves its estoppel effect. If the third party requester initiated an *inter partes* reexamination that resulted in the confirmation of a claim's patentability, then the requester is estopped from subsequently asserting in litigation that this claim is invalid on any ground that the requester raised or could have raised during the reexamination.<sup>65</sup> However, \*10 the requester may challenge the claim based on newly discovered prior art not available to the requester and the PTO at the time of the reexamination.<sup>66</sup>

## **IV. Empirical Evaluation Of Inter Partes Reexamination Proceedings**

### **A. Identifying the Data Set**

The first *inter partes* reexamination request was filed in July 2001.<sup>67</sup> In order to evaluate the success rate of *inter partes* reexamination, we reviewed the status of all 117 *inter partes* reexamination requests filed from 2001 through December 2005.<sup>68</sup> These requests and associated prosecution papers are maintained by the PTO at its Patent Application Information Retrieval website.<sup>69</sup> A few of these requests were denied or vacated, but most of these requests were granted and pending in the prosecution stage.<sup>70</sup> Of the granted requests, only three have been completed with the issuance of a reexamination certificate, and all three resulted in the cancellation of all claims.<sup>71</sup>

While the three completed proceedings do not form a reliable data set, we noticed that PTO examiners have issued final decisions in many more proceedings. In five more proceedings, an examiner issued a Notice of Intent to Issue Reexamination Certificate.<sup>72</sup> As explained in Part III, this means that the examination stage is closed, and the case is sent to the publication division for formal publication of the reexamination certificate.<sup>73</sup> Although this clerical processing stage may take several months, the issuance of the reexamination certificate is expected to be a mere formality, and the proceedings will then be formally closed.

In another twenty-two proceedings, the examiner issued a Right of Appeal Notice.<sup>74</sup> As explained earlier in Part III, a Right of Appeal Notice is essentially \*11 a Final Office Action closing reexamination at the examiner level and allowing the parties to appeal to the Board of Patent Appeals and Interference and potentially to the Federal Circuit.<sup>75</sup> Although the final results

may change depending on the appeal process, these cases at least allow us to study the final decisions of the examiners at the examination stage.

Combining the three completed proceedings with the five proceedings with an issued Notice of Intent to Issue Reexamination Certificate and the twenty-two proceedings with an issued Right of Appeal Notice, we reach a total of thirty inter partes reexamination proceedings where the examiner has issued a final decision.<sup>76</sup> We term these “post-Final Office Action proceedings.” While this group of thirty proceedings still does not provide a large data set, it at least allows us to investigate the early trends in the PTO examiners’ decision making.

## B. Cancellation and Confirmation Rates

Based on a review of the prosecution papers at the PTO website, these thirty post-Final Office Action proceedings have the following results:<sup>77</sup>

**Table 1**

Result of Proceeding	Number of Proceedings & Percentage
All claims confirmed/allowed	6 (20%)
All claims cancelled/rejected	17 (57%)
Some claims confirmed/allowed and other claims cancelled/rejected	7 (23%)

The 57% all-cancellation rate is staggering when compared with the 10% all-cancellation rate of ex parte reexamination.<sup>78</sup> It is also higher than the litigation success rate of invalidity.<sup>79</sup> Even if we remove from the data set the three \*12 cases where the patent owner “defaulted” by not responding to any Office Action,<sup>80</sup> the cancellation rate is still 52%, which is higher than the litigation success rate.

Since inter partes and ex parte reexaminations are both conducted by PTO examiners under the same standard of claim construction and patentability, why does inter partes reexamination provide such a dramatic increase in the invalidity rates?

To answer this question, we first explore why the invalidity rate is so low for ex parte reexaminations. As discussed in Part II, the third party requester is cut off from an ex parte proceeding after the beginning stage. From that point on, the examiner only receives one-sided arguments from the patent owner.<sup>81</sup>

Moreover, in ex parte proceedings, the patent owner’s counsel may use telephone and personal interviews to try to influence the examiner.<sup>82</sup> Assuming the patent owner’s counsel is an experienced patent prosecution attorney specializing in a particular technology field, he or she may have worked with the examiner or the examiner’s supervisor in prior cases, and thus maintained a friendly relationship with the examiner.<sup>83</sup> This attorney may bring a company executive or the inventor of the patent to the interview to further impress the examiner. The interview opportunity gives the attorney considerable freedom to negotiate with the examiner, to “test” various approaches, and to see how the examiner might respond to hypothetical amendments without leaving a paper trail.<sup>84</sup> It is in an examiner’s human nature to warm up to smart, experienced, and friendly attorneys who make a living fine-tuning their persuasive skills. As Professors Farrell and Merges succinctly commented on ex parte reexamination:

[E]ven where a patent challenger has introduced evidence that a patent is invalid, the patentee has many opportunities to reframe the issue, rebut the evidence, and otherwise put its own spin on the information. This agenda control is a powerful weapon for patent applicants. It is not enough to permit a patent challenger to send a copy of a technical article or prior patent to the USPTO, though that is all that is currently allowed. Lawyers being lawyers, applicants’ counsel will take advantage of wiggle \*13 room in the conceptual space between a prior art reference and the claims of a patent.<sup>85</sup> Contrast this with an inter

partes reexamination. In an inter partes reexamination proceeding, there is no interview on the merits allowed, and the third party requester has the same opportunities as the patent owner to argue to the examiner.<sup>86</sup> For every Response to Office Action or Amendment filed by the patent owner, the third party requester may counter with arguments.<sup>87</sup> With the patent owner and the challenger on equal footing, it is no surprise that the success rate is much higher than ex parte reexamination, and similar to the litigation success rate.

### C. The Examiner's Basis for Rejection

As Table 1 shows, of the thirty post-Final Office Action inter partes proceedings, only six proceedings (20%) had all claims confirmed, and the other twenty-four (80%) consisted of total or partial cancellation of claims. We break down these twenty-four proceedings in the table below according to whether claims are rejected on the basis of 35 U.S.C. § 102 anticipation of a single prior art reference, 35 U.S.C. § 103 obvious combination of multiple prior art references, or a mixture of §§ 102 and 103.<sup>88</sup>

**Table 2**

Basis of Prior Art Rejection	Number of Proceedings & Percentage
Claims rejected on the sole basis of § 102 anticipation	1 (4%)
Claims rejected on the sole basis of § 103 obviousness	9 (38%)
Some claims rejected on the basis of § 102 anticipation, and other claims rejected on the basis of § 103 obviousness	14 (58%)

\*14 As this Table 2 shows, only one proceeding's rejection is entirely based on § 102 anticipation.<sup>89</sup> Of the twenty-four post-Final Office Action proceedings that rejected at least some of the claims, 38% of them used solely § 103 obviousness as the basis for all prior art rejections. Of the 58% of proceedings that rejected claims using a mix of § 102 anticipation and § 103 obviousness, more claims (174 claims) were rejected on a § 103 basis than on a § 102 basis (152 claims). A study of all claims in the thirty post-Final Office Action proceedings yielded the following results:<sup>90</sup>

**Table 3**

Disposition of Reexamined Claim	Number of Claims & Percentage
Claim confirmed	159 (24%)
Claim rejected on the basis of § 102 anticipation	166 (26%)
Claim rejected on the basis of § 103 obviousness	323 (50%)

As Tables 2 and 3 indicate, § 103 obviousness forms the basis of rejection for a significant percentage of proceedings and claims. It is evident that the examiners in early inter partes reexaminations readily combined prior art references to reject claims, even in the absence of a single anticipating prior art reference. Compared to the litigation success rate of 36.3% for obviousness challenges, the early success of obviousness rejections in inter partes proceedings is quite impressive.<sup>91</sup> We do not know the reasons for this early success, but we offer several potential explanations.

One possible reason is that the examiners followed the requirement of reexamining patents without a presumption of validity and critically analyzed the patent \*15 claims without deference to the PTO's original allowance of the patent.<sup>92</sup> This is in sharp contrast to a litigation setting, where patents are presumed valid, and the defendant bears the burden of proving invalidity by clear and convincing evidence.<sup>93</sup>

Another possible reason is that since experienced primary examiners are assigned to reexamine patents in their specialized field of technology,<sup>94</sup> they are relatively "skilled in the art" as compared to a judge or a jury and may easily find the motivation, whether expressly taught in a prior art reference or not, to combine the relevant prior art references.

A less significant, but still possible, reason involves the objective considerations often offered by the patent owner to support the non-obviousness of the patent. Such objective or secondary considerations typically include the long felt but unsolved need for the patented invention, the commercial success and critical acclaim of the patented invention, and the industry's licensing or copying of the patented invention.<sup>95</sup> Reexamination examiners, who are technology professionals as opposed to lay persons like judges or jurors, may tend to focus on the technological merits of the patent and discount such objective considerations. Moreover, the patent owner's ability to present these factors in reexamination is limited to the submission of declarations.<sup>96</sup> Furthermore, as inter partes reexamination is only applicable to patents filed on or after November 29, 1999, these recent patents are unlikely to have developed evidence of many of these factors.<sup>97</sup>

#### **D. The Time Delay of Inter Partes Reexamination**

Once the PTO receives an inter partes reexamination request, it issues the first Office Action in a surprisingly short time. Based on our review of the post-Final Office Action proceedings, the first Office Action is often issued together with the order granting the reexamination request less than three months from receiving the request.<sup>98</sup> This is consistent with PTO rules requiring that the first \*16 Office Action ordinarily be mailed together with the decision granting the request, i.e., at no more than three months from receiving the request, and in any event be mailed at no more than five months from receiving the request.<sup>99</sup> This quick initial response time may be a function of the PTO's determination to carry out the congressional mandate of conducting inter partes reexamination "with special dispatch," the relatively low number of inter partes requests, or a combination of both factors.

After the initial flurry, the pace is likely to slow down. Since the first inter partes reexamination request was filed in 2001, only three proceedings have been completed with the issuance of a reexamination certificate, and the parties did not appeal to the BPAI or the Federal Circuit in these proceedings.<sup>100</sup> For the proceedings that involved the appeal process-- even the earlier ones whose requests were filed in 2002 or 2003--none have yet been completed with the issuance of a reexamination certificate.<sup>101</sup>

From the thirty post-Final Office Action proceedings, we calculated the pendency from filing the reexamination request to reaching an examiner's final decision, i.e., the issuance of a Notice of Intent to Issue Reexamination Certificate or a Right of Appeal Notice.<sup>102</sup> Based on these proceedings, the pendency from filing the request to receiving an examiner's final decision has an average time period of 21.6 months and a median time period of 23.5 months.<sup>103</sup> As explained below, reaching formal completion with the issuance of a reexamination certificate will take at least several more months.

After an examiner's final decision is issued, the proceeding will either move to the appeal stage or be sent to the PTO's publication division for clerical processing to publish the reexamination certificate.<sup>104</sup> The time period from issuing the Right of Appeal Notice to completing the appeal process is unpredictable, depending on the speed of the BPAI process and whether one or both parties will eventually appeal to the Federal Circuit. The PTO states that the average pendency at BPAI is less than six months,<sup>105</sup> but it is unclear whether this number includes \*17 the time period for the parties and the examiner to file the appeal papers.<sup>106</sup> Of all the inter partes proceedings in the appeal stage, only two proceedings--whose requests were filed in December 2002 and January 2003 respectively--are listed as awaiting BPAI decision, while the rest have not been heard by the BPAI.<sup>107</sup> The typical pendency at the Federal Circuit is believed to be about one year, but can range from less than a year to two years.<sup>108</sup>

The time period from issuing a Notice of Intent to Issue Reexamination Certificate to the actual issuance of the reexamination certificate is also unpredictable. Compared to the appeal process, this time period should be relatively short, because it involves only clerical processing, but empirical data does not entirely support this expectation. In the three completed proceedings, the reexamination certificate issued four, five, and nine months, respectively, after the issuance of the Notice of

Intent to Issue Reexamination Certificate.<sup>109</sup>

### **E. The Quality of the Office Actions in Inter Partes Proceedings**

For the above-described thirty post-Final Office Action proceedings, we reviewed at least one Office Action in each proceeding, normally the Final Office Action or Right of Appeal Notice. While we did not fully analyze the reasoning of these Office Actions, we did notice two characteristics.

First, the Office Actions in inter partes proceedings are often lengthier than those in normal prosecution. The Right of Appeal Notices (i.e., Final Office Actions) often reach twenty pages or more.<sup>110</sup> In some proceedings they even reach or exceed fifty pages.<sup>111</sup> These Office Actions compare each claim to prior art \*18 references and address arguments made by patent owners and third party requesters.

In addition, Office Actions in inter partes reexamination are typically authored by experienced primary examiners,<sup>112</sup> and Final Office Actions are signed by three examiners after they conduct a Patentability Review Conference.<sup>113</sup> This contrasts with the normal prosecution of patent applications, where Office Actions are often authored by less experienced assistant examiners without the benefit of a Patentability Review Conference. It appears that, for the \$8,800 filing fee, the inter partes reexamination requester obtains an examination that receives greater attention than the normal prosecution of original patent applications.

### **F. Summary of Empirical Results**

Although only a limited set of empirical data is available, it is suggestive of the early trends in inter partes reexamination. The early data indicates that the examiners cancelled all claims in slightly more than 50% of the inter partes proceedings and readily rejected claims based on an obvious combination of prior art references pursuant to § 103, even in the absence of a single anticipating prior art reference. It appears that inter partes reexamination provides a third party with a realistic chance to invalidate a patent on the basis of prior art. Comparing this with the lower success rate in litigation, the early data suggests that inter partes reexamination is a realistic alternative to expensive litigation. Thus, congressional intent on this level is fulfilled.

However, inter partes reexamination has not satisfied the other congressional intent to avoid the time delay of litigation. The pendency from receiving a request to issuing a Final Office Action is about two years, which means that the overall pendency of a hard-fought proceeding involving appeal is likely to be three or more years. This is comparable to the pendency from filing complaint to trial in many district courts and is longer than the pendency in the faster district courts.<sup>114</sup> If a challenger is mainly interested in the speed of the patent validity resolution, the statistics to date do not support favoring inter partes reexamination.

To reduce the pendency for inter partes reexamination, the PTO can start by reducing the clerical processing time from the Notice of Intent to Issue Reexamination \*19 Certificate to the actual issuance of the reexamination certificate. The PTO should be able to accomplish this with relative ease. The appeal time period should also be shortened, but that may be more difficult to achieve as it involves the BPAI and the Federal Circuit.

## **V. The Strategic Use Of Inter Partes Reexamination**

As we demonstrated through empirical data, inter partes reexamination provides a challenger with a realistic and low-cost opportunity to invalidate a patent based on printed prior art. The success rate of invalidity challenges calculated from the early data is comparable to, and even slightly better than, litigation. This does not mean that a challenger should automatically choose inter partes reexamination in lieu of litigation. Instead, the challenger should carefully consider the following factors.

### **A. Strength of the Prior Art**

First, before filing a reexamination request, the challenger must carefully evaluate the strength of the prior art references that



it plans to rely on. The challenger should conduct a thorough prior art search and identify the prior art references that have a reasonable chance of invalidating the patent. If the challenger cannot find a strong prior art reference, then it may be better off not initiating a reexamination. The challenger does not want a reexamination that confirms the asserted claims, because the patent owner will use the reexamination result to tell the judge and jury at trial that its patent has been blessed, not once, but twice, by the PTO. To a judge or a jury, this “second blessing” may be a powerful indication of patent validity.

As we stated earlier, the standard for granting a reexamination request is fairly low, and over 90% of requests are granted.<sup>115</sup> In very limited circumstances, it may be proper to file a reexamination request even when the challenger has not found a strong prior art reference. Such a move may serve tactical purposes, such as buying time for a thorough prior art search, putting pressure on the patent owner for settlement purposes, or staying or otherwise effecting a delay in litigation. However, this move must be used with caution to prevent the “second blessing” of the patent.

In evaluating the prior art, the challenger must compare the prior art not only against the patent claims, but against the disclosure of the patent specification. In a reexamination proceeding, the patent owner is allowed to amend claims or add claims, as long as they are supported by the patent specification disclosure and do not broaden the original claim scope.<sup>116</sup> The ability to amend or add \*20 claims is a powerful weapon for the patent owner to distinguish over prior art and to more specifically cover the challenger’s products. Therefore, before filing the reexamination request, the challenger must analyze the patent specification to identify all the ways that the patent owner may amend or add claims. If the prior art references are strong against the original claims but weak against potential new claims that still cover the challenger’s products, then the challenger may be better off saving these prior art references for litigation, where the patent owner cannot amend the claims.

For amended or added claims that may survive reexamination, the challenger must consider whether the change of claims gives it intervening rights to its products.<sup>117</sup> If all original claims are cancelled, and the challenger has been making, selling or using exactly the same products without modification, then it has absolute intervening rights to the same products and need not worry about infringing an amended or added claim.<sup>118</sup> The patent law also has a broader and more ambiguous statutory provision regarding the challenger’s equitable intervening rights.<sup>119</sup> For example, if the challenger made substantial investments in building an inventory of products, and then the reexamination completes with new claims that cover these products, a judge may find it equitable to allow the challenger to sell off this inventory without incurring liability.<sup>120</sup>

## **B. The Special Situation of a Prior Art Product**

As we stated in Part III, the strongest argument against inter partes reexamination is its estoppel effect. If a claim is found valid in a completed inter partes reexamination, then the challenger cannot challenge the validity of that claim in litigation on grounds it raised or could have raised in reexamination.<sup>121</sup> If the challenger discovers a strong prior product, however, the challenger may get two bites of the apple and challenge the patent’s validity in both proceedings. For the inter partes reexamination, the challenger may submit to the PTO printed materials such as manuals, news articles, and press releases describing this product. For litigation, the challenger may present the actual machines and witnesses to testify about their sale, purchase, or use of these machines, as evidence of public use or an on-sale bar invalidating the patent.<sup>122</sup> Since reexaminations are based \*21 solely on prior art patents or printed publications, the challenger could not have presented to the PTO the actual machines and witnesses for a public use or on-sale bar challenge.<sup>123</sup> Therefore, the challenger should not be estopped from challenging the patent on public use or on-sale bar grounds in litigation. While there is no case law interpreting the estoppel provision, this conclusion seems consistent with the statutory language.

The possibility of getting two bites at the apple does not mean that the challenger should always separate its prior art product challenge into two proceedings. It is quite common for the public use and on-sale bar evidence, based on the actual machines and witnesses, to be stronger than the printed materials describing the product. Therefore, if the printed materials do not explicitly disclose the claimed elements and thus do not form strong references on their own, the challenger may be better off preserving all of the evidence for litigation.

## **C. The Judge and the Jurisdiction**

Not all judges and jurisdictions behave the same.<sup>124</sup> A challenger must answer the critical question: who is more likely to invalidate the patent, the PTO (with potential appeal to the BPAI and to the Federal Circuit) or the judge and jury in the particular jurisdiction? We have presented the claims confirmation and cancellation rates of early inter partes reexamination

proceedings. A challenger should compare these rates to the success rates at the particular jurisdiction to reach an informed decision.

If the particular jurisdiction does not have enough patent litigation history to provide reliable statistics, the challenger should consider the presiding judge's tendency of granting summary judgment motions in other cases (assuming by way of example that there is strong prior art to support filing a summary judgment motion of invalidity). The challenger should consider the local jury pool's characteristics, such as its education level, understanding of and attitude toward technology, and willingness to trust government agencies like the PTO. A highly educated jury with a good understanding of technology is generally considered more likely to compare the patent to prior art and entertain an invalidity argument.<sup>125</sup> A jury with less education or less familiarity with technology, on the other hand, is generally considered more likely to ignore an invalidity argument \*22 because it does not understand the technology. Such a jury may prefer to rely on the PTO's allowance of the patent as evidence of validity.<sup>126</sup> A survey or mock trial in the jurisdiction may help uncover the local jury tendencies. One should be mindful, however, that regardless of the variations in local jury tendencies, juries in general tend to favor patent owners and uphold the validity of patents.<sup>127</sup>

One of the most popular patent plaintiff's jurisdictions in the nation has very few successful invalidity challenges and a jury pool with a low average education level.<sup>128</sup> If a defendant is sued in such a forum, it may be better to challenge the patent in a reexamination proceeding, even if the patent was filed before November 29, 1999, and therefore only subject to ex parte reexamination. Even the 10% all-cancellation rate of ex parte reexamination may be preferable to litigating patent validity in such a jurisdiction.

Another judge-and-jurisdiction dependent factor is the ability to stay litigation pending reexamination of some or all of the asserted patents. A district court judge has the power to manage her docket and has the discretion to grant or deny a request to stay litigation.<sup>129</sup> Courts have identified the following factors in determining whether a request for stay should be granted: whether a stay would unduly prejudice or present a clear tactical advantage to the non-moving party, whether a stay will simplify the issues in question and trial of the case, whether discovery is complete, whether a trial date has been set, and whether the request for reexamination was filed relatively early.<sup>130</sup>

If a challenger is interested in staying litigation pending the completion of reexamination, the challenger must consider the judge's likelihood of granting a stay, taking into account the timeline for litigation and for reexamination, the docket load of the jurisdiction and the judge, the judge's willingness to hear patent cases (especially if the case involves complex technology and/or multiple patents), and other factors. The timing factor is discussed next.

#### **\*23 D. Timing and Stay**

A defendant may request a stay of litigation pending the completion of reexamination.<sup>131</sup> A stay may allow the district court to benefit from the PTO's examination expertise, simplify issues for trial, and avoid wasting judicial resources on cancelled or amended claims.<sup>132</sup>

While a district court judge has the power to manage her docket, she may be more inclined to stay litigation if the reexamination request is filed early in litigation, for example, before the Case Management Conference or before the start of discovery.<sup>133</sup> For inter partes reexaminations, our empirical study shows that over half of post-Final Office Action proceedings resulted in all claims cancelled. The defendant may use this high possibility of cancellation as one factor that favors a stay--it would be a waste of resources for the court and the parties to go through discovery and trial only to have the patent cancelled by the PTO.<sup>134</sup>

Even if the defendant's first request for stay is denied, subsequent development of the reexamination proceeding may persuade the judge to grant a renewed request for stay. For example, the fact that the examiner issued an Office Action rejecting claims, or the fact that the examiner issued a Final Office Action confirming the rejection, may persuade the judge to stay litigation. Even if discovery has completed and trial is near, the issuance of a Final Office Action rejection may persuade the judge to stay the trial.

Of course, the early filing of a reexamination request does not guarantee that the judge will stay the litigation. After all, the trial judge has the power and discretion to manage her own docket.<sup>135</sup> And since it typically takes at least two years to complete a reexamination (with three or more years being likely), it would not be surprising for trial to complete before

reexamination. In a worst case scenario, all requests for stay are denied, trial completes with a verdict against the defendant, the trial judge enters a permanent injunction against the accused products, and the reexamination is still pending. In such a case, the reexamination still provides the defendant an opportunity to avoid ultimate liability. Assuming that the defendant appeals the trial verdict to the Federal Circuit, the trial judge stays the injunction pending the appeal, and reexamination including its \*24 appeal process completes with cancellation of the infringing claims, then the trial verdict and injunction should be vacated.<sup>136</sup>

If the defendant cannot finish the prior art analysis quickly enough to file an early request for reexamination, it may file the request during discovery after obtaining the plaintiff's claim construction position and infringement theory. This may improve the defendant's invalidity arguments in reexamination.<sup>137</sup>

In several recent high-profile patent infringement suits, the defendants lost at trial on both infringement and validity issues, and filed inter partes and ex parte reexamination requests only after trial.<sup>138</sup> It appears that filing these belated reexamination requests still provides some value.<sup>139</sup> Although the prevailing plaintiff holds most of the cards at this point, it cannot ignore the possibility that the patent claims may be cancelled in reexamination.

### **E. The Estoppel Effect**

For a challenger, the biggest drawback to inter partes reexamination is probably the estoppel effect. If a claim were found valid in reexamination, the requester cannot challenge in litigation the validity of that claim on grounds it raised or could have raised in reexamination.<sup>140</sup> Because there is little case law interpreting this clause, we foresee fact patterns that would allow creative counsel to make arguments (plausible or not) for and against estoppel. For example, suppose a defendant asserted invalidity based on anticipation and obviousness in an Answer to the Complaint, identified particular prior art references in early discovery, and then filed an inter partes request citing the same references. If reexamination confirmed the validity of the patent claims over these references, is the defendant estopped at trial from arguing invalidity based on these references? Also undefined by case law is the scope of the "could have raised" provision. If the defendant uncovered a prior art reference for the first time after reexamination is completed but before the start of trial, how does a court determine whether the defendant "could have raised" this reference in reexamination? Does the court \*25 look into how the defendant conducted a prior art search? And what is the implication of attorney-client privilege and work product immunity if the search is conducted by the defendant's attorneys?

These are significant issues, and the lack of case law certainly presents risk.<sup>141</sup> However, the advantages of inter partes reexamination, including the high success rate for a challenger and the ability to avoid a validity ruling from an unfavorable jurisdiction, may outweigh the risk.

Moreover, the loss of ability to challenge patent validity in litigation may not be a huge loss after all. In almost every patent litigation, the defendant must choose between two competing strategies: arguing for a narrow claim interpretation to avoid infringement, or arguing for a broad claim interpretation to invalidate the patent based on prior art. Seasoned patent litigators almost always prefer to focus on the noninfringement argument at trial, because, among other reasons, an argument of "we don't infringe" sounds more moral to a jury than an argument of "maybe we infringe but other people invented this first," and because juries give significant weight to the presumption of validity provided to patents issued by the PTO. Of course, a defendant does not want to surrender any arguments. Thus, it is often in the awkward position of emphasizing a narrow interpretation to avoid infringement, and yet retreating to a broad interpretation to argue for invalidity. At worst, the estoppel provision removes this dilemma and forces the defendant to commit to the noninfringement argument at trial (assuming there is a plausible noninfringement argument).

### **F. Other Factors**

There are other factors that a challenger must take into account. For example, if the challenger locates a strong prior art reference, but the patent involves complex technology, the challenger may be better off asking a PTO examiner to compare the patent to the prior art. The examiner should understand the technology better than a judge or jury and may better appreciate the similarity between the prior art and the patent claims. The examiner may also better appreciate the inherent or implicit teachings of prior art references and the motivation to combine different references.

Another factor that favors filing an inter partes reexamination request is the ability to relate to an ex parte reexamination proceeding. Quite commonly, the asserted patent is a member of a patent family that includes an earlier filed parent patent and a later filed child patent with similar specifications and similar claims. Suppose the challenger is interested in invalidating the parent patent, but only ex parte reexamination is available for this patent because it was filed before November 29, 1999. In this case, the challenger may consider filing an inter partes reexamination request for the child patent, followed shortly by an ex parte reexamination \*26 request for the parent patent. With all reexaminations assigned to a small group of examiners at the Central Reexamination Unit, these two requests involving the same patent family may be assigned to the same examiner for the sake of efficiency.<sup>142</sup> Since the challenger can fully participate in the inter partes proceeding, the same examiner is less likely to be influenced by the patent owner's one-sided arguments in the ex parte proceeding.

If the challenger is interested in settling the lawsuit, it must consider the reexamination's effect on settlement negotiations. In litigation, one of the motivations for a plaintiff to settle is to prevent the defendant from challenging the patent's validity at trial. As long as the patent's validity is preserved, the plaintiff can use the patent to sue or license other parties. The dynamics are different in reexamination. Once a reexamination request is filed, the challenger cannot revoke it, and the PTO will examine the patent to the finish regardless of settlement status. Therefore, once the request is filed, the challenger's promise to stop participating in reexamination will have no settlement value for ex parte proceedings, and limited value for inter partes proceedings.<sup>143</sup> To maximize settlement value, the challenger may consider showing the patent owner a draft reexamination request and giving the patent owner a short time window to agree to a settlement before filing the request.

The challenger's promise to withdraw from the inter partes process has some settlement value, because without the challenger, the patent owner can present one-sided arguments to influence the examiner. Without the challenger, the inter partes proceeding effectively resembles an ex parte proceeding, where the all-claims-cancellation rate is only 10%.<sup>144</sup> If the parties are still discussing settlement during an inter partes reexamination proceeding, the challenger must be aware that its promise to withdraw from reexamination has some settlement value, but this settlement value decreases as time goes by and the challenger continues making arguments to the PTO examiner.

## **VI. Post-Grant Review Proposals**

Our empirical study of inter partes reexamination allows a more informed evaluation of recent post-grant review proposals. Since 2003, the PTO,<sup>145</sup> the National \*27 Academy of Sciences (NAS),<sup>146</sup> and the Federal Trade Commission (FTC)<sup>147</sup> separately proposed expanded post-grant review procedures to supplement or replace inter partes reexamination.<sup>148</sup> These proposals recommend expanding the scope of reexamination to examine the issues of the public use and on-sale bars for prior products and whether the claims satisfy the written description and enablement requirements under 35 U.S.C. § 112.<sup>149</sup> The proposals recommend conducting the post-grant reviews in front of administrative law judges and permitting live testimony.<sup>150</sup>

While the PTO proposal reflects a desire to shift the work load from examiners to administrative law judges,<sup>151</sup> the NAS and FTC proposals are based on the premise that inter partes reexamination is unfavorable to challengers.<sup>152</sup> The NAS and FTC proposals, published in 2004 and 2003, commented that inter partes reexamination was rarely used by challengers and relied on the lack of use as an indication that the inter partes procedure was unfavorable to challengers.<sup>153</sup>

We believe that the low number of early inter partes requests more likely reflected a tendency to avoid the unknown--attorneys do not want to advise clients to try a brand-new procedure. However, recent data shows that inter partes reexamination may be gaining popularity. In 2005, fifty-nine inter partes reexamination requests were filed, more than all previous years combined.<sup>154</sup> In the first six months of 2006, thirty-two inter partes requests have already been filed.<sup>155</sup>

\*28 As our empirical study suggests, inter partes reexamination provides a realistic chance of success for challengers. It is more favorable to challengers than the post-grant review proposal drafters expected. While the post-grant review proposals contain insightful suggestions such as using administrative law judges and expanding the scope of review, it appears that PTO examiners are having no difficulty rejecting claims based on printed prior art references in inter partes reexamination. This fact should be taken into account if and when an expanded post-grant review is indeed implemented.

## **VII. Conclusion**

Our empirical study shows the early promise of inter partes reexamination. Although its time pendency needs to be shortened further, it has satisfied the congressional intent of providing a realistic and low-cost alternative to challenging a patent's validity in court. For defendants who have discovered strong printed prior art, especially for those who have to defend in an unfavorable jurisdiction, inter partes reexamination may be a good alternative to challenging a patent's validity through litigation. Even for large corporate defendants who can afford complex patent litigation, inter partes reexamination may be a suitable mechanism for challenging a patent's validity.

**\*29 APPENDIX**

**INTER PARTES REEXAMINATIONS THAT REACHED FINAL OFFICE ACTION**

PTO Control Number	Outcome	Request filed	Right of appeal notice/notice of intent to issue certificate issued
95/000,001	all claims rejected, some on § 102 and others on § 103; certificate issued	7/01	11/03 (right of appeal notice) 3/04 (certificate issued)
95/000,002	all claims rejected, some on § 102 and others on § 103; certificate issued (patentee did not respond to the last office action)	12/01	2/05 (right of appeal notice) 7/05 (certificate issued)
95/000,004	all claims rejected, some on § 102 and others on § 103; certificate issued (patentee defaulted)	6/02	12/02 (right of appeal notice)
9/03 (certificate issued)			
95/000,005	all claims rejected on § 103	7/02	8/05 (right of appeal notice)
95/000,006	all claims rejected; some on § 102 and others on § 103; awaiting BPAI decision	12/02	3/04 (right of appeal notice)
95/000,008	all claims rejected on § 103	12/02	9/05 (right of appeal notice)
95/000,009	all claims confirmed; awaiting BPAI decision	1/03	7/03 (right of appeal notice)
95/000,010	all claims rejected on § 103	3/03	10/05 (right of appeal notice)
95/000,012	all claims confirmed	5/03	2/06 (right of appeal notice)
95/000,013	some claims rejected, some on § 102 and others on § 103; other claims confirmed	5/03	2/06 (right of appeal notice)
95/000,015	all claims rejected on § 103	5/03	9/05 (right of appeal notice)
95/000,017	some claims rejected on § 103;	5/03	9/05 (right of appeal notice)

	another claim confirmed		
95/000,018	all claims rejected, some on § 102 and others on § 103	5/03	9/05 (right of appeal notice)
95/000,024	some claims confirmed; some claims rejected, some on § 102 and one on § 103	7/03	10/05 (right of appeal notice)
95/000,026	all claims cancelled on § 103	9/03	9/05 (right of appeal notice) 4/06 (notice of intent)
95/000,028	all claims rejected, one on § 102 and others on § 103	11/03	11/05 (right of appeal notice)
95/000,030	all claims rejected, some on § 102 and others on § 103	12/03	9/05 (right of appeal notice)
95/000,037	all claims rejected on § 103	2/04	3/06 (notice of intent)
95/000,038	some claims rejected, some on § 102 and others on § 103; other claims confirmed	2/04	4/06 (right of appeal notice)
95/000,041	all claims rejected, some on § 102 and others on § 103 (patentee defaulted)	5/04	1/06 (notice of intent)
95/000,043	all claims rejected, some on § 102 and others on § 103	5/04	1/06 (right of appeal notice)
95/000,045	some claims rejected on § 102; another claim confirmed	6/04	5/06 (right of appeal notice)
95/000,047	all claims confirmed (neither party responded to right of appeal notice)	6/04	11/05 (right of appeal notice) 3/06 (notice of intent)
95/000,064	some claims rejected, some on § 102 and others on § 103; other claims confirmed	12/04	4/06 (right of appeal notice)
95/000,075	all claims rejected (one on § 102 and others on § 103)	2/05	2/06 (right of appeal notice)
95/000,087	all claims confirmed	4/05	3/06 (right of appeal notice)
95/000,095	all claims rejected on § 103 (patentee defaulted)	5/05	10/05 (notice of intent)
95/000,097	all claims confirmed	6/05	2/06 (right of appeal notice)
95/000,098	some claims confirmed; other claims rejected on § 103	6/05	2/06 (right of appeal notice)
95/000,103	all claims confirmed	8/05	2/06 (right of appeal notice)

## Footnotes

- <sup>a1</sup> Roger Shang and Yar Chaikovsky are an Associate and a Partner, respectively, in the Global Patent Litigation Practice Group of Weil Gotshal & Manges LLP. The opinions expressed in this article are those of the authors and do not necessarily represent the firm or its clients.
- <sup>1</sup> See, e.g., Dale L. Carlson & Jason Crain, *Reexamination: A Viable Alternative to Patent Litigation?*, 3 *Yale Symp. L. & Tech.* 2, 8 (2000) (“The new inter partes reexamination opportunity was passed into law on November 29, 1999, as part of the Inventors Protection Act of 1999.... This procedure is meant to increase the attractiveness of reexamination over the costly alternative of district court litigation.”); Gerald J. Mossinghoff & Vivan S. Kuo, *Post-Grant Review of Patents: Enhancing the Quality of the Fuel of Interest*, 43 *IDEA* 83, 91 (2002).
- <sup>2</sup> According to a survey conducted by the American Intellectual Property Law Association (AIPLA), the median typical total cost for a major patent infringement suit with more than \$25 million at risk is \$4.5 million. The median typical total cost for an inter partes reexamination is \$95,000. See AIPLA Report of the Economy Survey 2005, 22-23, 26 (2005) (on file with authors).
- <sup>3</sup> See Carlson & Crain, *supra* note 1, at 12 (questioning the fairness to third parties of the new inter partes reexamination process); Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won’t Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 *Berkeley Tech. L.J.* 943, 967 (2004); Stephen G. Kunin & Anton W. Fetting, *The Metamorphosis of Inter Partes Reexamination*, 19 *Berkeley Tech. L.J.* 971, 974-75 (2004); Sherry M. Knowles, Thomas E. Vanderbloeman & Charles E. Peeler, *Inter Partes Patent Reexamination in the United States*, 86 *J. Pat. & Trademark Off. Soc’y* 611, 627 (2004).
- <sup>4</sup> Joseph D. Cohen studied inter partes proceedings in a March 2005 article, but was handicapped by the lack of early data and apparently had to focus on non-final Office Actions, which may differ from the examiners’ final decisions. See Joseph D. Cohen, *What’s Really Happening in Inter Partes Reexamination*, 87 *J. Pat. & Trademark Off. Soc’y* 207 (2005).
- <sup>5</sup> See, e.g., Mossinghoff & Kuo, *supra* note 1, at 87 n.16 (citing Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015); Knowles et al., *supra* note 3, at 611.
- <sup>6</sup> *Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 976 (Fed. Cir. 1986) (citing H.R. Rep. No. 96-1307, at 3-4, as reprinted in 1980 U.S.C.C.A.N. 6460, 6462-6463 (internal quotations omitted)).
- <sup>7</sup> See 35 U.S.C. §302 (2006) (“Any person at any time may file a request for reexamination ....”).
- <sup>8</sup> See *id.*; 35 U.S.C. §301 (2006).
- <sup>9</sup> See 35 U.S.C. §301 (limiting citation of prior art in reexamination to “patents or printed publications”); Manual of Patent Examining Procedure (MPEP) §2216 (8th ed., rev. 5 2006).
- <sup>10</sup> 37 C.F.R. §1.20(c)(1) (2005).
- <sup>11</sup> 35 U.S.C. §303 (2006). For reexaminations ordered on or after November 2, 2002, the substantial new question of patentability may be based solely on a prior art reference previously cited or considered by the PTO. *Id.*; 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, §13105, 116 Stat. 1758 (2002); MPEP §2258.01 (2006).
- <sup>12</sup> 35 U.S.C. §303.

- 13 MPEP §2242 (2006).
- 14 See United States Patent & Trademark Office, Performance and Accountability Report for Fiscal Year 2005, 131 (2005), available at [http:// www.uspto.gov/web/offices/com/annual/index.html](http://www.uspto.gov/web/offices/com/annual/index.html).
- 15 See 35 U.S.C. §304 (2006) (“Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner.”); 37 C.F.R. §1.530 (2005).
- 16 See 35 U.S.C. §305 (2006) (stating that “reexamination will be conducted according to the procedures established for initial examination under the provisions of Sections 132 and 133”).
- 17 MPEP §2281 (2006).
- 18 See 35 U.S.C. §305.
- 19 See *id.*
- 20 See *id.* (stating that “reexamination will be conducted according to the procedures established for initial examination”); MPEP §2258 (2006). Claims of an expired patent, however, are construed narrowly. See MPEP § 2258 (stating that claims of an expired patent are to be examined according to the principles set out by the court in *Phillips v. AWH Corp.*, since the expired claim(s) are not subject to amendment).
- 21 See 35 U.S.C. §306 (2006) (“The patent owner involved in a reexamination proceeding ... may appeal under the provisions of section 134 of this title, and may seek court review ....”).
- 22 35 U.S.C. §307 (2006).
- 23 *Id.*; 37 C.F.R. §1.570 (2005); MPEP §2288 (2006). For both *ex parte* and *inter partes* reexaminations, original claims are “confirmed” or “cancelled,” while amended or new claims are “allowed” or “rejected.” We use the confirmation-allowance and cancellation-rejection terms interchangeably in this article.
- 24 35 U.S.C. §305 (2006); MPEP § 2261 (2006).
- 25 The requester can try to improve its participation by filing another *ex parte* reexamination request for the same patent in the midst of the first reexamination proceeding. As the same examiner may be assigned to both reexaminations, the requester can craft the second request to include arguments or references that it wishes the examiner to consider for the first proceeding. See MPEP §2636 (2006) (“[I]f the earlier reexamination is still ongoing, the same examiner will be assigned the new reexamination.”). However, the PTO will grant the second request only if it raises a substantial new question of patentability that is different from the substantial new question of patentability raised by the first request. MPEP §2240 (2006).
- 26 MPEP §2254 (2006).
- 27 See, e.g., Michael L. Goldman & Alice Y. Choi, *The New Optional Inter Partes Reexamination Procedure and Its Strategic Use*, 28 *AIPLA Q.J.* 307, 313-14 (2000) (“[A] patent challenger had no further role in an *ex parte* reexamination proceeding after filing a request unless the patentee submitted a patent owner’s statement.”).



28 E.g., *id.* at 313-14; Carlson & Crain, *supra* note 1, at 7; Mossinghoff & Kuo, *supra* note 1, at 90; Knowles et al., *supra* note 3, at 612.

29 See, e.g., Paul Morgan & Bruce Stoner, *Reexamination vs. Litigation--Making Intelligent Decisions in Challenging Patent Validity*, 86 *J. Pat. & Trademark Off. Soc'y* 441, 461 (2004).

30 See 35 U.S.C. §306 (2006) (“The patent owner involved in a reexamination proceeding ... may appeal under the provisions of section 134 of this title, and may seek court review ....”).

31 E.g., Knowles et al., *supra* note 3, at 612; Consolidated Appropriations Act of 2000, Pub. L. No. 106-113, 113 Stat. 1501A-522 (1999).

32 See 37 C.F.R. §1.913 (2005) (“[A]ny person ... during the period of enforceability of a patent which issued from an original application filed in the United States on or after November 29, 1999, [may] file a request for inter partes reexamination ....”); MPEP §2611 (2006).

33 MPEP §2611.

34 35 U.S.C. §311 (2006).

35 37 C.F.R. §1.20(c)(2) (2005).

36 35 U.S.C. §§301, 311 (2006).

37 See 35 U.S.C. §301 (third party may cite patents and printed publications in its reexamination request); 35 U.S.C. §311; MPEP §2617 (2006).

38 35 U.S.C. §311.

39 35 U.S.C. §312 (2006). For reexaminations ordered on or after November 2, 2002, the substantial new question of patentability may be solely based on a prior art reference previously cited or considered by the PTO. *Id.*; 21st Century Department of Justice Appropriations Authorization Act of 2002, Pub. L. 107-273, §13105, 116 Stat. 1901 (2002); MPEP §2642 (2006).

40 See MPEP §2636 (2006) (stating that the office “assigns the reexamination request to a primary examiner, other than the examiner who originally examined the patent ..., who is most familiar with the claimed subject matter of the patent”).

41 See generally, Carlson & Crain, *supra* note 1, at 13 (noting that assignment to the same examiner might prevent an unbiased examination).

42 United States Patent & Trademark Office, *supra* note 14, at 5, 19.

43 35 U.S.C. §312 (2006).

44 MPEP §2642 (2006).

45 See United States Patent & Trademark Office, *supra* note 14, at 131 (noting that 96% of all inter partes reexamination requests through 2005 were granted).

46 See 35 U.S.C. §313 (2006) (“The order [for inter partes reexamination] may be accompanied by the initial action of the Patent and Trademark Office on the merits of the inter partes reexamination ....”); 37 C.F.R. §1.935 (2005).

47 See 37 C.F.R. §1.935 (2005) (“The order for inter partes reexamination will usually be accompanied by the initial Office action on the merits of the reexamination.”); MPEP §2660 (2006).

48 See 35 U.S.C. §314 (2006) (stating that “reexamination shall be conducted according to the procedures established for initial examination”); MPEP §§2258, 2658 (2006).

49 35 U.S.C. §314.

50 See *id.*

51 37 C.F.R. §1.955 (2005); MPEP §2685 (2006).

52 37 C.F.R. §1.949 (2005); MPEP §2671.02 (2006).

53 MPEP §2671.02.

54 37 C.F.R. §1.951 (2005); MPEP §2671.02.

55 37 C.F.R. §1.953 (2005); MPEP §2673.02 (2006).

56 See 35 U.S.C. §141 (2006) (allowing for appeal from a decision of the BPAI to the Federal Circuit); MPEP §2673.02. Section 141, as amended by the American Inventor’s Protection Act of 1999, did not allow the third party challenger to appeal to the Federal Circuit. Section 141 was again amended in 2002 to allow the challenger to appeal to the Federal Circuit for proceedings commenced on or after November 2, 2002. 21st Century Department of Justice Appropriations Authorization Act of 2002, Pub. L. No. 107-273, 116 Stat. 1758 (2002).

57 MPEP §2671.03 (2006).

58 *Id.*

59 *Id.*

60 MPEP §2687 (2006).

61 35 U.S.C. §316 (2006); MPEP §2687.

62 35 U.S.C. §316; MPEP §2688 (2006).

63 35 U.S.C. §314 (2006); MPEP §2661 (2006).

64 MPEP §2661.

65 35 U.S.C. §315 (2006).

66 Id.

67 PTO Control No. 95/000,001, [http:// portal.uspto.gov/external/portal/pair](http://portal.uspto.gov/external/portal/pair) (under “Select Search Method:” click “Control Number”; then enter “95/000,001” in the box beneath “Enter Number:” and click “Submit”) (last visited May 24, 2006).

68 They correspond to PTO Control Numbers 95/000,001 through 95/000,117. The status of these proceedings was last reviewed on May 24, 2006.

69 Patent Application Information Retrieval, [http:// portal.uspto.gov/external/portal/pair](http://portal.uspto.gov/external/portal/pair) (last visited July 7, 2006).

70 As stated earlier in Part III, 96% of inter partes reexamination requests were granted. United States Patent & Trademark Office, *supra* note 14, at 131.

71 PTO Control No. 95/000,001; PTO Control No. 95/000,002; PTO Control No. 95/000,004.

72 PTO Control No. 95/000,026; PTO Control No. 95/000,037; PTO Control No. 95/000,041; PTO Control No. 95/000,047; PTO Control No. 95/000,095.

73 See *supra* note 60.

74 See *infra* Appendix (listing inter partes reexamination proceedings where a Right of Appeal Notice issued). In two other proceedings, having PTO Control Numbers 95/000,026 and 95/000,047, the examiner issued a Right of Appeal Notice and then a Notice of Intent to Issue Reexamination Certificate. We placed these two proceedings in the Notice of Intent category only.

75 See *supra* note 56.

76 See *infra* Appendix (listing detailed information regarding these thirty proceedings).

77 Certain claims in some of the proceedings were amended or introduced as new claims, and then allowed or rejected. We considered these changed claims together with the original claims in calculating the confirmation/allowance and cancellation/rejection rates.

78 See Morgan & Stoner, *supra* note 29.

79 See John R. Allison & Mark A. Lemley, Empirical Evidence on the Validity of Litigated Patents, 26 AIPLA Q.J. 185, 205 (1998) (reporting a 46% invalidity rate for litigated patents); Kimberly A. Moore, Judges, Juries and Patent Cases--An Empirical Peek Inside the Black Box, 99 Mich. L. Rev. 365, 390 (2000) (reporting a 33% invalidity rate for trials).

80 PTO Control No. 95/000,004, [http:// portal.uspto.gov/external/portal/pair](http://portal.uspto.gov/external/portal/pair) (under “Select Search Method:” click “Control Number”;

then enter "95/000,004" in the box beneath "Enter Number:" and click "Submit") (last visited May 24, 2006); PTO Control No. 95/000,041; PTO Control No. 95/000,095.

81 See supra note 16 and accompanying text.

82 MPEP §2281 (2006).

83 With the recent establishment of a Central Reexamination Unit to house twenty examiners concentrating solely on reexaminations, future prosecution attorneys may have fewer opportunities to know reexamination examiners through the normal prosecution of patents. See supra note 42 and accompanying text.

84 Only a very brief written summary of the interview is required. See MPEP §2281 (requiring the examiner to complete Interview Summary form PTOL-474 for each interview).

85 See Farrell & Merges, supra note 3, at 965-66.

86 See 35 U.S.C. §314 (2006) (each time the patent owner files a response to an action on the merits the third party requester may file comments); 37 C.F.R. §1.955 (2005); MPEP §2685 (2006).

87 35 U.S.C. §314.

88 In a number of proceedings, the examiner rejected the patent owner's amended or new claims on the basis that the newly introduced claim elements did not satisfy the written description requirement of 35 U.S.C. §112. As §112 can only be used in reexamination to reject amended or new claims and not the original claims, we did not track rejections on this basis. See MPEP §2658 (2006) ("Where new or amended claims are presented or where any part of the disclosure is amended, the claims of the reexamination proceeding are to be examined for compliance with 35 U.S.C. 112.").

89 See PTO Control No. 95/000,045, [http:// portal.uspto.gov/external/portal/pair](http://portal.uspto.gov/external/portal/pair) (under "Select Search Method:" click "Control Number"; then enter "95/000,045" in the box beneath "Enter Number:" and click "Submit") (last visited May 24, 2006). In another proceeding, PTO Control Number 95/000,095, the examiner rejected all claims "on § 102 or § 103" but then discussed the rejections of all independent claims as combinations of prior art references. Therefore, we placed the 95/000,095 proceeding in the §103 rejection category.

90 We studied all claims confirmed or rejected in the final Office Action of these 30 proceedings. In Table 3, claims rejected on both §§102 and 103 basis are counted for both § 102 and § 103 categories; claims cancelled by the patent owner following an Office Action rejection are counted on the basis on which they were rejected; claims objected to as depending on a rejected claim that would be allowed if rewritten in independent form are counted as confirmed.

91 See Allison & Lemley, supra note 79, at 209.

92 MPEP §§2258, 2658 (2006).

93 35 U.S.C. §282 (2006); See, e.g., *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1050 (Fed. Cir. 1988).

94 MPEP §2636 (2006).

95 See, e.g., *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 719 (Fed. Cir. 1991); *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1574-75 (Fed. Cir. 1992).

96 See MPEP §2658 (noting that affidavits may be submitted in reexamination proceedings).

97 See supra note 32.

98 See, e.g., PTO Control No. 95/000,002, [http:// portal.uspto.gov/external/portal/pair](http://portal.uspto.gov/external/portal/pair) (under “Select Search Method:” click “Control Number”; then enter “95/000,002” in the box beneath “Enter Number:” and click “Submit”) (last visited May 24, 2006); PTO Control No. 95/000,004; PTO Control No. 95/000,006; PTO Control No. 95/000,008; PTO Control No. 95/000,010; PTO Control No. 95/000,013.

99 37 C.F.R. § 1.935 (2005); MPEP § 2660 (2006).

100 PTO Control No. 95/000,001; PTO Control No. 95/000,002; PTO Control No. 95/000,004. The examiners in these three proceedings rejected all claims of the reexamined patents, and the patent owners did not appeal.

101 See, e.g., PTO Control No. 95/000,005; PTO Control No. 95/000,006; PTO Control No. 95/000,007; PTO Control No. 95/000,008. They all concern requests filed in 2002.

102 In two proceedings--Control Numbers 95/000,026 and 95/000,047--the examiner issued a Right of Appeal Notice and then a Notice of Intent to Issue Reexamination Certificate. We used the Notice of Intent issue date for calculation.

103 See infra Appendix.

104 See supra notes 56, 60.

105 United States Patent & Trademark Office, supra note 14, at 25.

106 The appeal papers include a Notice of Appeal, an Appeal Brief, a Respondent Brief, an Examiner’s Answer, and Rebuttal Briefs responding to the Examiner’s Answer. See MPEP §§2674-78 (2006) (setting out the procedures for the appeal process).

107 PTO Control No. 95/000,006, [http:// portal.uspto.gov/external/portal/pair](http://portal.uspto.gov/external/portal/pair) (under “Select Search Method:” click “Control Number”; then enter “95/000,006” in the box beneath “Enter Number:” and click “Submit”) (last visited May 24, 2006); PTO Control No. 95/000,009.

108 See U.S. Court of Appeals for the Federal Circuit, *Federal Circuit 2005 Opinions, Orders & Decisions*, <http://www.fedcir.gov/2005log.html> (last visited Sept. 21, 2006) (showing that most of the Federal Circuit opinions issued in 2005 have corresponding docket numbers beginning with “04” indicating that the appeal was filed in 2004, while some of the 2005 opinions have docket numbers beginning with “03” and many opinions published in November or December 2005 have docket numbers beginning with “05”).

109 See infra Appendix; PTO Control No. 95/000,001; PTO Control No. 95/000,002; PTO Control No. 95/000,004.

110 See, e.g., PTO Control No. 95/000,008; PTO Control No. 95/000,009; PTO Control No. 95/000,013; PTO Control No. 95/000,018; PTO Control No. 95/000,024; PTO Control No. 95/000,028; PTO Control No. 95/000,030; PTO Control No. 95/000,038; PTO Control No. 95/000,087; PTO Control No. 95/000,098.

111 See PTO Control No. 95/000,043; PTO Control No. 95/000,064; PTO Control No. 95/000,075.

112 See MPEP §2636 (2006) (stating that the office “assigns the reexamination request to a primary examiner, other than the examiner who originally examined the patent ..., who is most familiar with the claimed subject matter of the patent”).

113 MPEP §2671.03 (2006).

114 See, e.g., Kevin M. Clermont & Theodore Eisenberg, *Litigation Realities*, 88 *Cornell L. Rev.* 119, 130 (2002); *Judicial Business of the United States Courts 2004*, Table C-5 Median Time Intervals From Filing to Disposition of Cases Terminated, by District and Method of Disposition, available at <http://www.uscourts.gov/judbus2004/contents.html>.

115 See United States Patent & Trademark Office, *supra* note 14, at 131 (noting that 96% of all inter partes reexamination requests through 2005 were granted).

116 35 U.S.C. § 314 (2006).

117 See 35 U.S.C. §§252, 307, 316 (2006).

118 See 35 U.S.C. §252 (2006); *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1359-61 (Fed. Cir. 2001).

119 See *Shockley*, 248 F.3d at 1360-61 (discussing the equitable intervening rights of § 252).

120 See generally, *Shockley*, 248 F.3d at 1359-61.

121 35 U.S.C. §315 (2006).

122 See 35 U.S.C. §102(a)-(b) (2006). If the patented invention was predated by a third person’s earlier invention, the challenger may also present witnesses, lab notebooks, product prototypes, and so forth to invalidate the patent under 35 U.S.C. §102(g)(2) (2006).

123 See *supra* note 36 and accompanying text.

124 See, e.g., Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 *N.C. L. Rev.* 889 (2001).

125 For example, the Northern District of California is generally considered neutral to a defendant challenging a patent’s validity. See Allison & Lemley, *supra* note 79, at 249 (finding 40% of patents held invalid in N.D. California). In Santa Clara County, which forms part of this district and Silicon Valley, 40.5% of adults over 25 years old have a Bachelor’s or higher degree. See U.S. Census Bureau, *State & County Quickfacts*, [http:// quickfacts.census.gov/qfd/states/06/06085.html](http://quickfacts.census.gov/qfd/states/06/06085.html) (last visited Sept. 23, 2006).

126 See generally Joel C. Johnson, *Lay Jurors in Patent Litigation: Revising the Active, Inquisitorial Model for Juror Participation*, 5 *Minn. Intell. Prop. Rev.* 339, 356-57 (2004); Xenia Kobylarz, *The Best Little Courthouse in Texas*, *The Recorder*, May 9, 2006, available at <http:// www.law.com/jsp/article.jsp?id=1146819928267>.

- 127 See, e.g., Moore, *supra* note 79, at 368; Allison & Lemley, *supra* note 79, at 212, 251.
- 128 See, e.g., M. Craig Tyler, Patent Pirates Searching for Texas Treasure, *Texas Lawyer*, Sept. 20, 2004, at 39 (discussing E.D. Texas); Kobylarz, *supra* note 126 (discussing E.D. Texas).
- 129 *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988).
- 130 See, e.g., *Soverain Software LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005); *Xerox Corp. v. 3COM Corp.*, 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999); *United Sweetener USA, Inc. v. Nutrasweet Co.*, 766 F. Supp. 212, 217 (D. Del. 1991).
- 131 See, e.g., *United Sweetener*, 766 F. Supp. at 216 (noting that the court’s authority “includ[es] the authority to order a stay pending conclusion of a PTO reexamination”).
- 132 See *id.*
- 133 *Soverain Software*, 356 F. Supp. 2d at 663.
- 134 See, e.g., *id.* at 662 (stating that the low likelihood of all claims being cancelled in *ex parte* reexamination favors not granting a stay).
- 135 See *supra* note 129.
- 136 See generally 37 C.F.R. §§1.570, 1.997 (2005).
- 137 See MPEP §2617 (2006) (requiring a party requesting *inter partes* reexamination to explain “how the cited patents or printed publications are applied to all claims”).
- 138 See *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005); PTO Control No. 95/000,020, <http://portal.uspto.gov/external/portal/pair> (under “Select Search Method:” click “Control Number”; then enter “95/000,020” in the box beneath “Enter Number:” and click “Submit”) (last visited May 24, 2006); PTO Control No. 90/006,675; *Eolas Tech., Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005); PTO Control No. 90/006,831; *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323 (Fed. Cir. 2005), vacated and remanded, 126 S. Ct. 1837 (2006); PTO Control No. 90/006,956; PTO Control No. 90/006,957; PTO Control No. 90/006,984.
- 139 See *infra* Section V.F (regarding the settlement dynamics involving reexamination).
- 140 See *supra* note 65.
- 141 We do not express our opinions on these issues, for that would require another article.
- 142 MPEP §2636 (2006). For example, *inter partes* proceedings 95/000,051 and 95/000,052 for related patents were assigned to the same examiner, and *inter partes* proceedings 95/000,093 and 95/000,094 for related patents were assigned to the same examiner.
- 143 See generally Bronwyn H. Hall & Dietmar Harboff, *Post-Grant Reviews in the U.S. Patent System--Design Choices and Expected Impact*, 19 *Berkeley Tech. L.J.* 989, 1008-09 (2004).

- 144 See Morgan & Stoner, *supra* note 29, at 461.
- 145 See United States Patent & Trademark Office, Post-Grant Review of Patent Claims, <http://www.uspto.gov/web/offices/com/strat21/action/sr2.htm> (as part of PTO's 21st Century Strategic Plan (2003), <http://www.uspto.gov/web/offices/com/strat21/index.htm> (last visited September 23, 2006)).
- 146 See National Academy of Sciences, A Patent System for the 21st Century 82 (Stephen A. Merrill et al. eds., 2004), available at <http://newton.nap.edu/html/patentsystem/0309089107.pdf>.
- 147 See Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (2003), <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.
- 148 See Hall & Harboff, *supra* note 143, at 1000-02 (summarizing PTO, NAS & FTC proposals).
- 149 See United States Patent & Trademark Office, *supra* note 145; National Academy of Sciences, *supra* note 146, at 6; Federal Trade Commission, *supra* note 147, at 8.
- 150 See *supra* note 149.
- 151 See United States Patent & Trademark Office (PTO), *supra* note 145 (“[T]he present proposal would eliminate inter partes reexamination entirely .... This should alleviate the burden on the examiners of having to examine complex and lengthy reexamination proceedings, and thus free examiners to examine applications and reduce pendency thereof since the post-grant review proceedings will occur at the Board and be handled by [Administrative Patent Judges].”).
- 152 See National Academy of Sciences, *supra* note 146; Federal Trade Commission, *supra* note 147, at 22-23.
- 153 See National Academy of Sciences, *supra* note 146; Federal Trade Commission, *supra* note 147, at 27.
- 154 See United States Patent & Trademark Office, *supra* note 14, at 131.
- 155 See PTO Control Nos. 95/000,118-95/000,147, <http://portal.uspto.gov/external/portal/pair> (under “Select Search Method:” click “Control Number”; then enter PTO Control No. in the box beneath “Enter Number:” and click “Submit”) (last visited May 24, 2006); PTO Control No. 95/000,150; PTO Control No. 95/000,152.