

Make reexamination work for you

Gregory V Novak and Stephen Marcus of Novak Druce & Quigg discuss the recent clarification on *ex parte* reexamination

Reexamination proceedings in the USPTO provide an alternative to expensive and lengthy litigation for challenging the validity of the claims of a US patent. Generally, reexamination proceedings are significantly less costly than litigation and are designed to take only a fraction of the time that the typical patent infringement/validity litigation takes. Therefore, reexamination can be of significant value for an entity that is either being threatened with suit, or is being sued, for patent infringement.

There are two types of reexamination proceeding: *ex parte* reexamination proceedings and *inter partes* reexamination proceedings. *Ex parte* reexamination may be requested either by a patent owner or a third party requester and provides very limited participation rights for the third party requester. *Inter partes* reexamination proceedings may only be requested by a third party requester. An *inter partes* reexamination proceeding provides full participation rights for the third party requester, but generally costs more to prepare and prosecute and generally takes more time to conclude than an *ex parte* reexamination proceeding. The filing fees for a third party requester to file a request for reexamination are \$2,520 for *ex parte* reexamination and \$8,800 for *inter partes* reexamination. Although many third party requesters prefer the *inter partes* reexamination, USPTO statistics reveal that more *ex parte* reexamination proceedings are requested than *inter partes* reexamination proceedings. In this regard, it should be noted that *inter partes* reexamination may only be requested for patents that issued from an original patent application filed on or after November 29 1999 and which is still enforceable. *Ex parte* reexamination may be requested for any US patent that is enforceable.

Clarifying *ex parte* reexamination

Recently there has been a clarification to *ex parte* reexamination practice contained in a Federal Register notice published on June 25 2010 (Clarification on the Procedure for Seeking Review of a Finding of a

Substantial New Question of Patentability in *Ex Parte* Reexamination Proceedings [75 FR 36357] [Notice]). The Notice clarifies the practice by which a patent owner may contest an order granting *ex parte* on the basis that the substantial new questions of patentability (SNQs) asserted by a third party requester in a reexamination request are improper. If that is the case, then the USPTO would lack jurisdiction to reexamine the patent in question based on that request. The procedures established by the Notice apply only to *ex parte* reexamination proceedings in which an appeal to the USPTO Board of Patent Appeals and Interferences (BPAI) is filed on or after June 25 2010.

A request for *ex parte* reexamination of an issued patent can be filed in the USPTO. The *ex parte* reexamination statute requires the request for *ex parte* reexamination to be based on “prior art consisting of patents or printed publications” (35 USC §§ 301 and 302). The *ex parte* reexamination statute also requires the USPTO to “determine whether a substantial new question of patentability is raised by the request” (35 USC § 303). The requirement that a reexamination request present an SNQ is a threshold jurisdictional requirement, absent when the USPTO lacks authority to reexamine the claims of an issued US patent.

Technically, a single SNQ creates jurisdiction for the USPTO to reexamine all claims in a patent even if reexamination is requested only for a single patent claim because the USPTO conducts its own prior art search and creates its own SNQs. The USPTO will only consider SNQs presented in the request and will only order *ex parte* reexamination for the specific claims for which reexamination has been requested. If reexamination of a patent is ordered, the patent owner should always undertake a review of the request and order, to determine whether the order is based on proper SNQs for each claim subject to reexamination. If improper SNQs are presented and *ex parte* reexamination is ordered based on those SNQs, the patent owner may challenge the propriety of the order by filing an appeal or in lim-

ited circumstances, by filing a supervisory authority petition to have the SNQs held improper and the reexamination order vacated (37 CFR § 1.181 and section 2246(II) of USPTO's Manual of Patent Examining Procedure (MPEP) § 2246(II)).

Defining SNQs

To determine whether to appeal or petition, a patent owner must understand the concept of an SNQ. The reexamination statute does not define SNQ. However, as pointed out by the US Court of Appeals for the Federal Circuit in several reexamination decisions (most recently *In re Swanson et al*, Fed Cir 2008), the legislative history of the 1981 reexamination statute contains language that provides a definition of SNQ. Congress stated in the legislative history that “this new procedure [reexamination] will permit any party to petition the patent office to review the efficacy of a patent, subsequent to its issuance, on the basis of new information about preexisting technology which may have escaped review at the time of the initial examination of the patent application”. Congress also stated that the “SNQ requirement bars reconsideration of any argument already decided by the office, whether during the original examination or an earlier reexamination”.

An SNQ may properly be based on something other than a patent or printed publication. For example, an

admission by the patent owner in a court proceeding may be combined with a prior patent or printed publication. Similarly, an affidavit or declaration that explains the content of a prior patent or printed publication can be used to help establish an SNQ. An SNQ may also be based on a prior patent or printed publication that was considered and discussed on the record of a prior USPTO proceeding for the patent that is the subject of the reexamination request, if that prior patent or printed publication is relied on for a teaching that is different than the teaching previously considered and discussed in the prior proceeding (MPEP § 2258.01). A patent owner faced with a reexamination order in which the SNQs are predicated to any extent on material that facially does not appear to be a prior patent or printed publication, or a new technical teaching, should review MPEP §§ 2216, 2217, 2258 and 2258.01 for guidance.

Having analysed the SNQs to determine whether they (1) are based on prior patents or printed publications, and (2) present the USPTO examiner with one or more new technical teachings, the patent owner should then review both MPEP § 2246(II) and the Notice. Those resources will help the patent owner determine whether a petition to vacate the proceeding should be filed or whether appeal is appropriate. Generally, the patent owner will discover that the propriety of the reexamination order must be challenged on appeal. Even though the *ex parte* reexamination statute is silent with respect to whether a determination by the director that a request for *ex parte* reexamination presents one or more SNQs is final and non-appealable, the courts have determined that the USPTO's action in granting a request for reexamination is only the beginning of the administrative process of reexamination and not a final agency determination subject to judicial review. In light of such judicial determinations (one example being the decision in *Heinl v Godici*, ED Va 2001), MPEP § 2246(II) states that:

“...neither the patent owner nor the requester has a right to petition, or request reconsideration of, a finding that prior art patents or printed publications raise a substantial new question after a request for reexamination is granted”.

Circumstances in which there is no right to petition the examiner's holding that the request presents SNQs to support reexamination are discussed in MPEP § 2246(II). For example, an examiner's finding that a reference is a printed publication, and/or that its date makes it prior art, cannot be petitioned. A patent owner cannot petition merely because the examiner finds SNQs for reasons other than those advanced in the request. Instead, these matters must be contested on appeal during the examination phase. For *ex parte* reexamination proceedings filed on or after June 25 2010,

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the Notice confirms that a patent owner who desires to challenge an order for *ex parte* reexamination on the basis that there is no proper SNQ must raise this issue in an appeal to the BPAI. The Notice requires the patent owner to preserve the issue in order to raise it on appeal. To do so, the Notice recommends raising the issue in a patent owner's statement filed pursuant to 37 CFR § 1.530 to preserve it, but also permits preserving the issue for appeal in a patent owner's response to the first action on claim patentability in the reexamination proceeding.

Challenging a reexamination order

The above notwithstanding, *Heinl* did recognise limited circumstances in which a reexamination order could be challenged even though it is a preliminary determination by an agency. One circumstance would be promulgation of an order granting reexamination that amounted to an *ultra vires* action by the agency (meaning it exceeds the agency's authority). Therefore, if a patent owner can show that the SNQs relied on to order *ex parte* reexamination are fundamentally improper, then the patent owner may file petition under 37 CFR § 1.181(a)(3) for supervisory review of the SNQs and vacatur of the order granting *ex parte* reexamination as being *ultra vires*. MPEP § 2246(II) gives examples of various orders granting reexamination that constitute an *ultra vires* agency action and for which petitions requesting review and vacatur may properly be filed. The examples include (1) an order granting reexamination based on SNQs that do not rely on patents or printed publications, and (2) an order granting SNQs based wholly on a technical teaching that was previously considered in a concluded prior USPTO proceeding for the patent for which reexamination is being ordered. The Notice also permits, as a form of relief that is "separate from the BPAI's consideration of the SNQ issues", the filing of a petition under 37 CFR § 1.181(a)(3) to vacate the order reexamination as *ultra vires*.

Although reexamination is an excellent vehicle to attack the validity of patent claims and quite often provides results much quicker and at far less expense than litigation, a requester must craft SNQs for the patent claims to be attacked that will survive a potential challenge by the patent owner. A patent owner may file a petition under 37 CFR § 1.181(a)(3) to contest the propriety of an order for *ex parte* reexamination only if the order can be shown to be *ultra vires*. Otherwise, a patent owner must seek review of an order for *ex parte* reexamination based on "improper" SNQs by filing an appeal in the reexamination proceeding on or after June 25 2010 and must have preserved that issue for appeal.

On the other hand, a patent owner must be aware of

not only the ability to challenge the propriety of SNQs asserted in a request for reexamination of its patent, but also of the correct avenue for asserting the challenge. If an SNQ accepted by the examiner is clearly based on something other than prior patents or printed publications, or the acceptance of the SNQ is otherwise *ultra vires*, the patent owner should petition after the reexamination order within the timeframe provided. If the patent owner believes the SNQ to be improper, but not

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necessarily *ultra vires*, as, for example, an SNQ based on a printed publication that does not present a new, technical teaching that was not previously considered by the USPTO, then the patent owner must first preserve its appeal right by raising the issue in either in a patent owner's statement (37 CFR 1.530) or in a patent owner's response to the first action on claim patentability (37 CFR §§ 1.550(b) and 1.111(b)). The patent owner may subsequently file an appeal, but only if they have first preserved the issue of the impropriety of the order for *ex parte* reexamination.

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Stephen Marcus is a counsel at Novak Druce & Quigg. He is part of the firm's nationally recognised reexamination practice. Stephen has close to 40 years experience working at the USPTO. His experience includes 11 years as a patent examiner, 10 years as a supervisory patent examiner and almost 18 years as a technology special program examiner – interference practice specialist and Office of Patent Legal Administration senior legal advisor. Stephen also served as an acting examiner-in-chief on the USPTO's Board of Appeals and had a detail to the Office of the Solicitor. In addition to his active role at the USPTO, he helped write software used by USPTO examiners to generate printed PCT actions.