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Ride the reexamination train

Gregory V Novak, James Murphy and Suni Sukduang discuss ways to employ the reexamination process to an accused infringer's advantage

While it has taken nearly three decades to gain popularity, patent reexaminations are now one of the hottest trends in patent law. For instance, according to the USPTO, in the short three year span from 2005 through 2008 *ex parte* and *inter partes* reexamination filings increased 30% and 185%, respectively. Furthermore, the number of reexamination filings for 2009 are on pace to shatter the record highs of 2008. This may be attributable to an ongoing shift in PTO policy to improve reexaminations proceedings and a market that is better educated on how reexaminations can be used as a tool in a corporate patent strategy.

Reexaminations on the rise

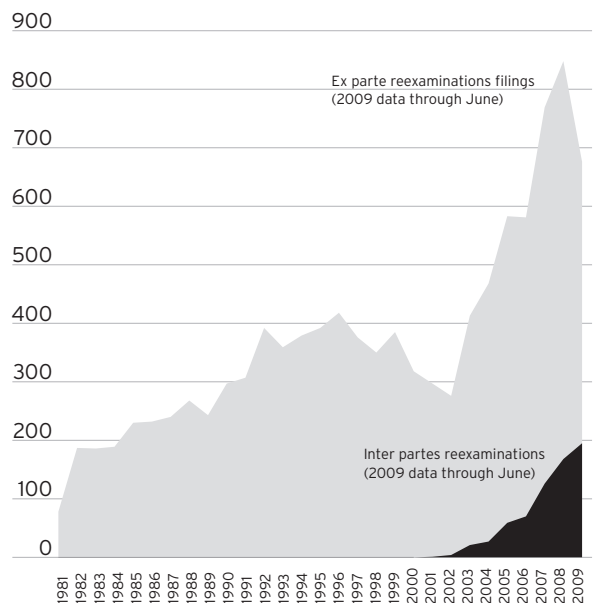
In 2005, the PTO renewed its effort to improve the reexamination process with the creation of the Central Reexamination Unit (CRU) in July of 2005. As can be seen in Figure 1, and coinciding with the creation of the CRU, reexamination filings have been surging since 2005. As the chart shows, there have been more *inter partes* reexaminations filed through only the first six months of 2009 than were filed in any other full calendar year. If the filings continue at this pace, it is expected that the final number of *inter partes* filings to double between 2008 and 2009.

Reexam v litigation

One of the driving forces of the increase in reexaminations filings is the use of reexaminations to supplement a patent infringement litigation defence. Although a reexamination is similar to a litigation invalidity defence, there are some key differences. For instance, unlike litigation, not all of the statutory validity grounds may be raised in reexamination. Specifically, reexaminations may only be based on prior art or printed publications and there is no presumption of validity accorded.

As reexaminations are more limited in scope, one might ask why a reexamination should be chosen over a litigation-only defence. One answer is gleaned when comparing the difference in success rate of arguments

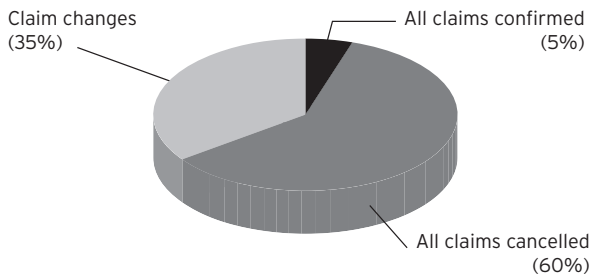
Figure 1: Reexamination filing data



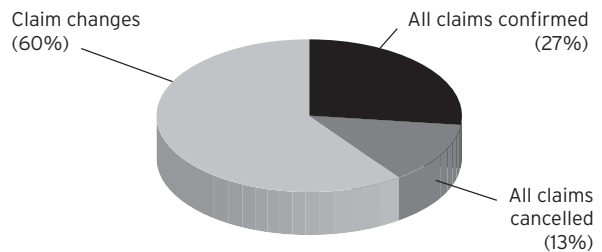
Inter partes reexaminations are at zero until early 2000's since *inter partes* is only available for patents filed on or after November 29 1999. The first *inter partes* reexamination was not filed until July 27 2001.

that can be presented either in reexamination or litigation. When viewing the litigation validity statistics for those provisions that may be raised in either litigation or reexamination, invalidity was found 41% of the time. Comparatively, *inter partes* reexaminations result in all claims being cancelled in 60% of proceedings and some changes to original claims in an additional 35% of cases. *Ex parte* reexaminations also compare favourably, but it is difficult to accurately determine how the claim changes category, which include amendments and some cancelled claims, affected the underlying litigations.

Inter partes reexamination filing data, June 30 2009 (77 certificates)



Ex partes reexamination filing data, June 30 2009



Perhaps the most important bearing on the success rate of reexaminations is that, as above noted, there is no presumption of validity of claims in a reexamination. *In re Etter*, (Fed Cir 1985). In litigation, a defendant must prove claims are invalid by clear and convincing evidence because claims are presumed valid. In a reexamination claims must be shown as unpatentable only by a preponderance of the evidence. *In re Swanson* (Fed Cir 2008). However, this lower standard is tempered by the fact that a Patent Owner may amend claims in a reexamination unlike in litigation. As shown in the charts above, amendments resulting in claim changes is a common result of reexaminations.

Impact on litigation strategy

Another reason for reexamination’s growing popularity is its ability to provide a favourable influence over other aspects of a litigation defence, even when claims haven’t been cancelled in the reexamination. Below are several ways reexamination can play into a litigation strategy, including altering claim constructions, influencing the decision whether to stay the litigation, providing motivation to reach a settlement, and reduced damages through intervening rights.

A) Claim construction

While frequently overlooked, reexamination prosecution often provides significant prosecution history, especially *inter partes* reexamination cases. A patent owner’s arguments can result in a narrowing of the scope of their claims. *Applera Corp v Micromass UK Ltd* (D Del 2002). Tactically, this make things very difficult for Patent Owners since they are forced to argue for narrow claim constructions to distinguish prior art in a reexamination while maintaining a broad claim construction to argue infringement litigation. This dual approach often results in conflicting positions in the two forums.

Therefore, a patent owner’s admission during reex-

amination can give rise to prosecution history estoppel that narrows the scope of an allegedly infringed claim such that the alleged infringer may no longer infringe the claim.

B) Settlement leverage

While it is hard to quantify the number of reexams prepared prior to settlement overall, this author’s

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Central Reexamination Unit. Novak serves as national intellectual property counsel to publicly traded corporations, including Fortune 100 companies, providing patent, trademark and strategic intellectual asset management counselling, as well as emphasising licensing and litigation-based reexaminations. Additionally, extensive representation and counselling of foreign corporations and domestic subsidiaries is carried out so as to integrate corporate and intellectual property matters in a cohesive, value enhancing manner for the client. Novak has acted as lead counsel in more than 60 intellectual property related cases that include patent, trademark, trade secret, and copyright matters, both as plaintiff’s counsel and as defendant’s counsel; and has led more than 200 reexaminations. He has advised in over 200 reexaminations and led the team in the NTP, Inc reexaminations that resulted in the rejection of more than 2000 claims. Novak can be reached at greg.novak@novakdruce.com.

observation is that nearly half of the reexaminations which are prepared are never filed because the case settles first. In many cases, the reexaminations are a driving force in the settlement and are prepared solely for the purposes of reaching a settlement early in the negotiation process. One rationale behind this strategy is clear: once a reexamination has been filed it cannot be stopped even if there is a later settlement. So a patent owner must make the decision to settle early or fight the reexamination.

In addition, an *inter partes* reexamination provides settlement leverage even after it is filed, since a *inter partes* filer has ongoing participation rights. A patent owner may wish to settle with the *inter partes* filer in order to secure an agreement that the filer will no longer participate in the reexamination. Although the *inter partes* reexamination would still continue between the patent owner and the USPTO, the removal of the filer from the proceedings greatly increases the odds that the patent owner will get some claims allowed.

C) Stay of litigation

Another widely employed benefit of reexaminations is that they are increasingly important factor in staying litigation.

As the legislative history suggests, the district court may grant a stay pending reexamination at its own discretion. In doing so, the District Courts commonly consider three factors when deciding whether to grant a stay pending reexamination:

“Inter partes reexaminations result in all claims being cancelled in 60% of proceedings”

- whether the non-moving party will be unduly prejudiced by a stay;
- whether the stay will simplify the issue for trial; and
- whether discovery has been completed and a trial date set.

Accordingly, if a stay of litigation pending reexaminations is desirable, there are several factors that should

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Suni Sukduang



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be considered to increase the chances of a stay being granted:

1) File the reexamination early in litigation:

Filing a reexamination early in litigation is desirable for several reasons. In particular, filing a reexamination early in the litigation allows for the PTO to make progress on the reexamination prior to any major litigation deadlines such as Markman or the completion of discovery. For empirical evidence of

“It is clear that if a stay is desired then a reexamination must be filed early in the litigation”

this fact, a review of the 39 stays that have been granted in the Eastern District of Texas due to a pending reexamination: 16 stays had reexaminations granted before the case management conference, 20 stays had reexaminations granted after the conference but prior to the Markman hearing, and only three stays were issued for reexaminations granted after the Markman hearing.

Based on these numbers, it is clear that if a stay is desired then a reexamination must be filed early in the litigation so that the reexamination is granted prior to the Markman hearing.

2) File against all litigated claims:

If the reexamination doesn't stand the potential to eliminate all the issues in trial, a court is less likely to stay a case it will still need to hear down the road. All claims of all asserted patents should be reexamined unless the patent owner has narrowed their assertions to only specific claims.

If the patent owner has asserted only a subset of claims from a patent, then focusing solely on those claims may be desirable as a more focused reexamination can help reduce the resources needed at the USPTO to work on the reexamination which could result in faster actions and progress before the Office.

3) File *inter partes* reexaminations whenever possible:

Not only does *inter partes* reexamination have a higher statistical possibility of for cancelling claims, but courts appear to place value in the fact that both parties have an opportunity to be heard and that the limited estoppel will simplify the issues at trial. Furthermore, some courts even consider filing an *ex parte* reexamination (when *inter partes* is available) as an unfavourable litigation tactic. As an example, in *Affinity Labs of Tx v*

Dice Elec et al(ED Tx 2009), Judge Ron Clark noted that the:

[d]efendant's did not act with dispatch in seeking review; the parties are well into the discovery process already, and staying the case pending the outcome of an *ex parte* reexamination is not likely to simplify the issues. Defendants' failure to choose the congressionally provided option of a binding *inter partes* reexamination smacks of a litigation tactic designed to bog down, rather than expedite, resolution of this case.

Intervening rights

Although the ultimate goal of a reexamination requester is to force claims to be cancelled, in the event that claims do survive reexamination, there is a high likelihood that the claims will be amended. If an amendment results in the claim not being “substantially identical” to the original claims, then a patent owner may not seek damages on that claim for product sales prior to the conclusion of the reexamination. *Bloom Eng'g Co v North American Mfg* (Fed Cir 1997).

This type of mixed outcome is not possible in litigation where a claim is either valid or invalid.

In cases where all or a substantial amount of the damages are from alleged past infringing activities, getting intervening rights could be just as beneficial as invalidating the asserted claims. However, obtaining intervening rights by a claim amendment is a much easier task to achieve due to the lower standard of proving a claim unpatentable in a reexamination than proving a claim invalid in litigation.

A defence for the future

Reexaminations are quickly becoming a mainstay of most litigation defences. Reexamination request filings have increased dramatically in recent years and statistical analysis has shown reexaminations to be a highly effective collateral attack on a patent, especially *inter partes* reexaminations. In addition, reexamination provides many benefits to a litigation defendant beyond the possibility of cancelled claims. These benefits include improving claim construction or settlement position, getting a stay of litigation, and erasing past damages. Based on the success rate and the many benefits provided by a reexamination request it is expected that the number of reexamination filings will continue to rise in the future and that all litigants should evaluate using a reexamination as part of their patent infringement defence or early settlement strategy.