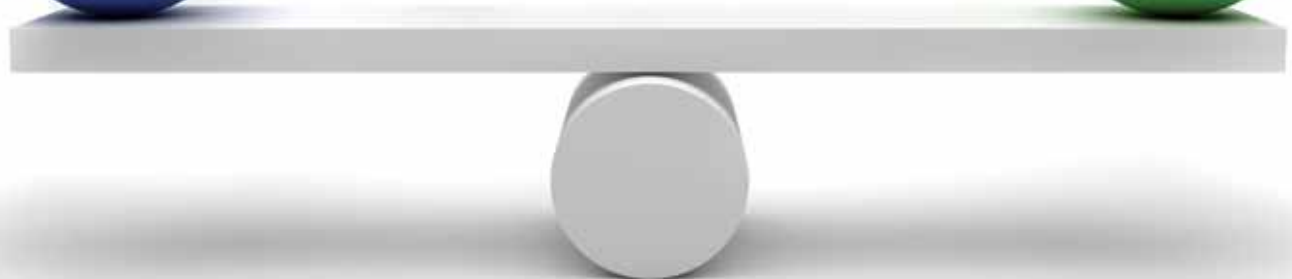




Post-issuance patent review



Paul R Steadman, Matthew Hertko and Matthew Satchwell from Kirkland & Ellis weigh up the strategic implications of re-examination and review following approval of the America Invents Act



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The America Invents Act (“AIA”) significantly alters the landscape for post-issuance patent review. Indeed, as the new procedures enacted with the AIA are phased in over the next year, defendants or accused infringers have a choice of as many as four different post-patent issuance procedures before the United States Patent and Trademark Office (the “USPTO”): *ex parte* and *inter partes* re-examination (the latter phasing out in 2012), and post grant and *inter partes* review (both phasing in during 2012).

Procedures existing before enactment of the AIA¹

An *ex parte* re-examination is a proceeding before the USPTO to determine the validity of an already-issued US patent. Anyone may file a request for re-examination and may do so at any point during the period of enforceability of the patent. The requestor must indicate which claims it seeks to have reexamined and show a “substantial new question of patentability” regarding each of the specified claims (35 USC §§ 303(a), 312(a)), and must provide a detailed explanation of the pertinence and manner of applying that art to every specified claim (35 USC § 302). Only prior art “patents or printed publications” may be considered in re-examination (35 USC § 301). In other words, public uses or sales of (or offers to sell) the claimed invention are not considered by the USPTO in an *ex parte* re-examination, nor are § 112 arguments. An *ex parte* re-examination request may be filed anonymously. As implied by the name, the requesting party has only very limited involvement in an *ex parte* re-examination proceeding after filing the initial request. Specifically, the requester is allowed only one response to a patent owner’s statement regarding the USPTO’s initial decision to grant a re-examination request. The remainder of the *ex parte* re-examination proceeding involves only the patent owner and the patent examiner.

Within three months of receiving a re-examination request, the USPTO determines whether a substantial new question (SNQ) of patentability exists and if so, grants the request and orders the re-

examination of the patent. According to the USPTO’s statistics, 92% of requests for *ex parte* re-examination are granted². If a re-examination is granted, it is conducted by the Central Re-examination Unit (CRU) of the USPTO, a special group of experienced examiners and supervisors.

When the *ex parte* re-examination proceeding is complete, the USPTO issues a certificate that (i) cancels any claim determined to be unpatentable, (ii) confirms any claim determined to be patentable, and (iii) incorporates in the patent any allowed, amended claim. Cancellation is a final determination of invalidity of a patent claim, though it can be appealed. Confirmation upholds a claim as originally issued. Amendment is a modification of the claim by the patentee to distinguish it from cited prior art. While the patent owner has the right to appeal any cancelled claims, third parties cannot appeal or seek judicial review of the USPTO’s determination in an *ex parte* re-examination proceeding, nor participate in any appeal filed by the patent owner. Statistically, the average length of an *ex parte* re-examination proceeding is more than two years. *Ex parte* re-examination results in a cancellation of all claims in 11% of cases, confirmation of all claims in 23% of cases, and amendment of claims in the remainder of cases.

Inter partes re-examination is permitted only for patents that have been issued from an original application (including a continuation) filed on or after 29 November 1999. Abolished by the AIA, *inter partes* re-examinations will be available only until they are phased out in September 2012. An *inter partes* re-examination allows a third-party requestor to interact with the USPTO and submit statements “[e]ach time that the patent owner files a response to an action on the merits” from the USPTO (35 USC § 314(b)(2)). The request for *inter partes* re-examination is similar to that for an *ex parte* re-examination, but unlike an *ex parte* request it must identify the real party in interest filing the request (35 USC § 311(b)(1)). For the following year (the “transition” year during which *inter partes* re-examination is still available), the standard for granting an *inter partes* re-examination will be “a reasonable likelihood that the requester would prevail with respect to at

least one of the claims challenged in the request.” A different standard than the previous standard requiring a substantial new question of patentability. According to the USPTO’s statistics, 95% of requests for re-examination have been granted since 29 November 1999.³

During the conclusion of an *inter partes* re-examination proceeding, the USPTO issues a written certificate as in an *ex parte* proceeding. However, unlike an *ex parte* proceeding, both the patent owner and the third-party requestor can appeal an issue determined in the *inter partes* proceeding, and both are permitted to participate in appeals filed by the other. Statistically, the average length of time from commencement to completion of an *inter partes* re-examination proceeding is more than three years. *Inter partes* re-examination results in a cancellation of all claims in 44% of cases, confirmation of all claims in 13% of cases, and amendment of claims in 43% of cases.

Strategically, two of the most important differences between *ex parte* and *inter partes* re-examination proceedings are (1) the ability of the requestor to participate, and (2) the estoppel effect on the requestor. First, as noted earlier, the requestor has essentially no involvement in an *ex parte* re-examination proceeding after filing the request, whereas the requestor is involved at every step of the process in an *inter partes* re-examination. Second, if the re-examination proceeding results in a final written order, the *inter partes* re-examination requestor is estopped from ever asserting (either in litigation or in a subsequent re-examination proceeding) any argument or basis for invalidity that either was or could have been asserted during the *inter partes* re-examination (35 USC § 315(c)). An *ex parte* re-examination proceeding creates no such estoppel.

Litigants must also bear in mind that former § 318 of the Patent Act (still in effect through to September 2012) contemplates that “[o]nce an order for *inter partes* re-examination of a patent has been issued ..., the patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of the patent which are the subject of the *inter partes* re-examination order, unless the court before which such litigation is pending

determines that a stay would not serve the interests of justice.” Notably, only the patentee may seek a stay under § 318, and the district court is under no obligation to grant such a stay. That said, some district courts have held that once granted, such stays should remain in force until a re-examination certificate is issued, for example, in *Panduit Corp v Hellemanntyton Corp*, CA 03 cv 8100, 2005 WL 327059, at *2 (ND Ill. 9 Feb 2005). If litigation is stayed in view of a pending *inter partes* re-examination, the USPTO will expedite the re-examination proceedings (MPEP § 2286).

Procedures created by the AIA

Two new procedures created by § 6 of the AIA will be available beginning in September 2012: post-grant review and *inter partes* review. Both new procedures will be governed by the Patent Trial and Appeal Board (PTAB) rather than the CRU, and neither will be anonymous. Post-grant review will have to be requested within nine months of the grant of a patent or a broadening reissue. *Inter partes* review will not be available until nine months after the grant of a patent or broadening reissue.

The post-grant review process will differ from an *ex parte* re-examination in several significant respects. Unlike *ex parte* re-examination, post-grant review will allow for participation by the requesting party. Additionally, the USPTO may consider any type of prior art or any grounds for invalidity in a post-grant review proceeding, including prior uses or offers for sale that cannot be considered in an *ex parte* re-examination. Moreover, the standard for granting a post-grant review will require that the information presented in the petition, if not rebutted, would demonstrate that it is more likely than not that at least one of the challenged claims is unpatentable, or that the petition raises a novel or unsettled question of legal principles important to other patents or applications. The AIA specifies that post-grant reviews should be completed within one year from institution, with only a six-month extension available for good cause shown.

In an *inter partes* review, like an *ex parte* or *inter partes* re-examination, the USPTO may consider only patents and printed publications. The

Summary of post-issuance review procedures

Procedure	Third-party participation?	Prior art considered	Estoppel?	Review unit	When available?	Standard for granting request
<i>Ex parte</i> re-exam	No	Patents and printed publications	No	CRU	Any time	Substantial New Question of Patentability (SNQ)
<i>Inter partes</i> re-exam	Yes	Patents and printed publications	Yes	CRU	Until Sept 2012, on patents issued after Nov 1999	Reasonable likelihood that the requester will prevail with respect to at least one of the claims challenged in the request
Post-grant review	Yes	All	Yes	PTAB	Beginning in Sept 2012 on patents 9 months or less after issuance, but only within 12 months of assertion in litigation	Either (i) the information presented in the petition, if not rebutted, would demonstrate that it is more likely than not that at least one of the challenged claims is unpatentable, or (ii) the petition raises a novel or unsettled question of legal principles important to other patents or applications
<i>Inter partes</i> review	Yes	Patents and printed publications	Yes	PTAB	Beginning in Sept 2012 on patents more than 9 months issuance, but only within 12 months of assertion in litigation	Reasonable likelihood that the requester will prevail with respect to at least one of the claims challenged in the request

standard for granting an *inter partes* review will be a reasonable likelihood that the petitioner will prevail with respect to at least one of the challenged claims. Three significant differences exist between an *inter partes* re-examination and the new *inter partes* review procedure. First, while patents issuing from an original application filed before 29 November 1999 are not eligible for *inter partes* re-examination, they are eligible for *inter partes* review; provided that the request for such review is filed within 12 months of the filing of any litigation in which the patent is asserted. Second, *inter partes* review may not be instituted if the petitioner has already filed a lawsuit challenging the validity of any claim in the patent. Third, while the former § 318 of the Patent Act allowed a patent owner to obtain a stay of any pending litigation after the issuance of an order for an *inter partes* re-examination at the district court's discretion, the AIA

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imposes significant changes to the availability of a stay in the instance of *inter partes* review. Specifically, in instances where the petitioner or real party in interest to an *inter partes* review subsequently files a declaratory judgment action challenging the validity of any claim in the patent being reviewed, that action will be automatically stayed until either the patentee moves to lift the stay, files a lawsuit or counterclaim alleging that the petitioner/real party in interest to an *inter partes* review has infringed the patent, or the petitioner/real party in interest moves the court to dismiss the declaratory judgment action.

Much like an *inter partes* re-examination (and unlike an *ex parte* re-examination), both post-grant review and *inter partes* review have an estoppel effect on the requestor (and its privies and real parties in interest) in any review that results in a final written decision. Accordingly, the petitioner may not challenge the validity of any reviewed claim before the USPTO, or in litigation before a court or the International Trade Commission (ITC), on any grounds that were raised or could have reasonably been raised during the review.

Strategic implications

There are advantages and disadvantages to each of these procedures, both relative to one another and compared to litigation on the issue of validity in the district courts (or ITC). Notably, litigation is not always an option for a party that wishes to challenge the validity of a patent. A party that has not yet been sued has no way to raise validity as a defence or counterclaim, and if that party lacks declaratory judgment standing, there may not be a clear way to file its own claim. Nevertheless, experience dictates that the strategic question of whether and what kind of post-issuance review to initiate before the USPTO generally arises in a context where litigation is an option that must be considered.

1. Factors that should be considered prior to seeking post-issuance review

a. Standard/presumption of validity in litigation

A patent asserted in district court litigation is presumed valid (35 USC § 282). Accordingly, a defendant must demonstrate that a patent claim is

invalid by “clear and convincing” evidence in litigation – a heightened standard⁴. Strategically, this presumption can be important because the patentee's attorneys often stress the burden of proof, especially when disputed factual issues are at play. The presumption does not apply in the USPTO, even after a patent is issued, and this may be seen as an advantage of re-examination or review.

b. Fixing claim problems or amending claims to avoid prior art

Once a re-examination or review is declared by the USPTO, the patentee is free to amend its claims. This may allow the patentee to amend its claims to avoid the art raised in the petitioner's request, or other art that has been discovered post-issuance, or to fix other problems (eg, indefiniteness under 35 USC § 112). The litigation process, of course, does not allow for an amendment to preserve validity.

c. Prosecution history estoppel

Even if claims are not cancelled or amended during re-examination or review, new arguments presented during re-examination by the patentee may give rise to prosecution history estoppels, and limit the availability of the doctrine of equivalents in any subsequent litigation.

d. Expense

Re-examination, by itself, tends to be much less expensive than patent litigation. Presumably, the new review procedures created by the AIA will be similarly less expensive than litigation. Much of the cost associated with post-issuance procedures is incurred by prior art searching which can add significantly to filing and preparation fees. However, because prior art searching is almost always required for litigation as well, the cost of searching the prior art is not necessarily avoided if litigation is selected in lieu of post-issuance review.

Notably, however, *inter partes* re-examination – and post-grant review and *inter partes* review – are likely to be more expensive than an *ex parte* request. The requesting party's participation in the proceeding will add substantially to the costs, and the fact that an *inter partes* re-examination proceeding is the requestor's only shot at invalidating the claims at issue, places a heightened significance on prior art searching. Experience also shows that *inter partes* re-examination proceedings frequently result in appeal, which will also create additional expenses.

e. Estoppel

Since its inception in 1999, the main strategic litigation disadvantage of *inter partes* re-examination has been the statutory estoppel that attaches and prevents the requestor from asserting in litigation any basis for invalidity that the requestor raised – or could have raised – during the *inter partes* proceeding. Thus, an *inter partes* re-examination is “one bite at the apple,” at least as to prior art printed publications and patents. Accordingly, an *inter partes* request must include all such prior art of which the requestor is aware, because a patentee that emerges from re-examination will argue that the requestor cannot argue invalidity based upon any such patents or printed publications. In light of the estoppel, a party considering an *inter partes* proceeding also must carefully consider which body – a court or the USPTO – may give the most attention to any particular reference or combination of references. Although the courts are notoriously busy, examiners also have ever more applications and re-examinations to consider.

The AIA applies the same estoppel to the new post-grant and *inter partes* review procedures, but gives the task of performing the review to the PTAB. The PTAB is also responsible for interferences⁵, re-examination appeals, and the new derivation proceedings created by the AIA; so the same concerns will likely apply. As such, the estoppel effect will remain a significant strategic consideration in assessing whether to initiate a post-issuance proceeding before the USPTO.

f. Effect on litigation defences

In order to position itself for its best chance of a successful outcome, the requesting party must cite its best prior art references. With an *ex parte* proceeding, the requester effectively has no chance to rebut each of the patentee's arguments as to why the cited references should not invalidate the patent claims. The procedural advantage to the patent owner in being able to communicate *ex parte* with the USPTO is significant, and the requesting party has no chance to refute any statements made by the patent owner. If the claims are confirmed during re-examination, the patent owner will seek to argue that the USPTO has already carefully considered the validity of the claims over the cited references, and agreed with the patent owner that the claims are valid. While an *inter partes* re-examination and a post-grant review or *inter partes* review procedure allows the requestor to participate in the proceeding, they also create an estoppel effect on the requestor.

2. Weighing the risks

How, then, should a party decide whether to request a re-examination or one of the new review procedures – either parallel to litigation or as an alternative to litigation?

A party must first decide whether it can accept the strategic risks of a USPTO procedure. If the party has no available litigation defences to an infringement action other than prior art-based invalidity of the asserted claims, the party may not be able to accept both the estoppel risk inherent in an *inter partes* re-examination and either of the new review procedures created by the AIA. Similarly, the party may not be willing to face the effect post-issuance review may have on a jury should the claims be confirmed. The party's better strategy may be to put forth its invalidity case only to the same tribunal that will judge infringement (eg, the district court or the ITC).

The party must also determine whether it can accept the risk of confirmed or even amended claims. If the party has no reasonably available design-around to the claimed technology, it may be willing to risk allowing the patentee to obtain amended claims issued in a re-examination certificate. But if a strong and affordable design-around exists, the party may strategically prefer to pursue litigation where amended claims are not possible. The claims will not then be amended to obviate the design-around, and non-infringement arguments can be balanced against the patentee's claim constructions proposed to avoid the prior art.

Another issue is confidentiality. The USPTO challenges are inherently and immediately public. If a party has a strategic reason for keeping its best arguments confidential, even for a period of time, it will have to avoid a USPTO procedure. For example, a party may believe it has a negotiating advantage by keeping its best prior art secret, rather than revealing it to other potential co-defendants.

Post issuance-review, however, can pose significant benefits for the savvy petitioner as well. Importantly, the USPTO applies the "broadest reasonable interpretation" of claims in a re-examination. Due to the fact that the USPTO's interpretation is often more liberal than the interpretation that may be applied by a district court, a claim may be found invalid or unpatentable in a re-examination proceeding for reasons less likely to prevail in court.

Further, post-issuance review may be an attractive alternative to litigation for accused infringers facing significant market pressure who cannot wait for its claims to be heard by a district court burdened by a busy docket. For example, *inter partes* re-examinations move quickly at the outset, with a first office action usually issuing within 90 days. Post-issuance review may therefore be a tool to effectively "cloud" the validity of a patent, or obtain other perceived market benefits more rapidly than could otherwise be achieved in a district court action.

Because the USPTO does not apply any presumption of validity, patent challengers run the risk that a jury will be overly deferential to a USPTO's decision allowing claims on post-issuance review. Indeed,

ex parte and even *inter partes* re-examinations result in confirmed or amended claims over half the time.⁶ Further, the sophisticated patentee facing post-issuance review may take advantage of the opportunity to put all available art before the USPTO in an information disclosure statement, thereby subjecting all prior art references to consideration by the USPTO and significantly weakening a subsequent invalidity argument based upon those references in litigation.

Summary

The decision as to whether to initiate a post-issuance review proceeding before the USPTO – as well as what type of proceeding to initiate – presents a number of strategic implications, especially in view of the effects that such a proceeding will have on litigation. The decision to initiate a post-issuance review proceeding must be made after a careful assessment of the strategic implications regarding the procedure itself and the litigation impact, as well as an analysis of the benefits and risks associated with post-issuance review procedure.

Footnotes

1. Many serviceable summaries of re-examination procedure have been published elsewhere – for example, Stephen G Kunin, *et al*, Patent Re-examination FAQs, 2010 Emerging Issues 4865 (Lexis Nexis). Also helpful are the re-examination flow charts published in the Manual of Patent Examining Procedure at 2201 (for *ex parte* re-examinations) and 2601 (for *inter partes* re-examinations).
2. All *ex parte* re-examination statistics are from the USPTO *Ex Parte* Re-examination Filing Data – 30 June, 2011.
3. All *inter partes* re-examination statistics are from the USPTO *Inter Partes* Re-examination Filing Data – 30 June, 2011.
4. See, *Microsoft Corp v i4i Ltd Partnership*, 131 S.Ct. 2238, 2245 (2011).
5. It is worth noting that interferences will be phased out 18 months following the law enactment date.
6. It is obviously premature to speculate about the outcomes of the new procedures created by the AIA.

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