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 AIA

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 granted. 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 1999.1

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 since granted, such stays should remain in force until a re-examination certificate is issued, for example, in Panduit Corp v Hellermannynton 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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex parte re-exam</td>
<td>No</td>
<td>Patents and printed publications</td>
<td>No</td>
<td>CRU</td>
<td>Any time</td>
<td>Substantial New Question of Patentability (SNQ)</td>
</tr>
<tr>
<td>Inter partes re-exam</td>
<td>Yes</td>
<td>Patents and printed publications</td>
<td>Yes</td>
<td>CRU</td>
<td>Until Sept 2012, on patents issued after Nov 1999</td>
<td>Reasonable likelihood that the requester will prevail with respect to at least one of the claims challenged in the request</td>
</tr>
<tr>
<td>Post-grant review</td>
<td>Yes</td>
<td>All</td>
<td>Yes</td>
<td>PTAB</td>
<td>Beginning in Sept 2012 on patents more than 9 months issuance, but only within 12 months of assertion in litigation</td>
<td>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</td>
</tr>
<tr>
<td>Inter partes review</td>
<td>Yes</td>
<td>Patents and printed publications</td>
<td>Yes</td>
<td>PTAB</td>
<td>Beginning in Sept 2012 on patents more than 9 months issuance, but only within 12 months of assertion in litigation</td>
<td>Reasonable likelihood that the requester will prevail with respect to at least one of the claims challenged in the request</td>
</tr>
</tbody>
</table>
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 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 standard. 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 interferences, 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 patent owner in being able to communicate ex parte with the USPTO and significantly weakening a subsequent invalidity 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.

Authors

Paul Steadman serves as lead trial counsel for companies involved in complex patent, trade secret, trademark, copyright and other IP-related litigation matters. He has represented clients in jury trials, federal and state appeals courts, Markman and other evidentiary hearings, mediations and arbitrations.

Matthew Hertko has experience in all aspects of patent litigation across a broad spectrum of technologies. He has served as trial counsel for clients in the semiconductor, integrated circuit, consumer electronics, communications, automotive, business machine, and liquid crystal display markets. He has represented clients in jury trials, Markman and other evidentiary hearings, bankruptcy proceedings, and arbitrations.

Matthew Satchwell works primarily on complex IP cases with a focus on patent infringement litigation. Satchwell has been trial counsel for clients in the semiconductor, integrated circuit, power electronics, software, communications technology, and liquid crystal display markets. He is also a registered patent attorney.