

## Leveraging The Patent Re-Examination

*Law360, New York (September 03, 2010)* -- With re-examination of issued patents firmly planted in the intellectual property mainstream, it is increasingly important to convey to the business leaders and decision makers just how useful this tool can be. Almost every business transaction that touches a patent should consider ramifications of a request for re-examination of that patent.



James De Vellis

Understanding how, when and why to request or defend re-examination of a patent can further business objectives in transactional, venture capital, litigation and licensing realms. Like most powerful tools, re-examinations are effective if used wisely, but if wielded carelessly you can lose an eye.

### Approaching the Problem

The U.S. Patent and Trademark Office allows anyone to request re-examination of an issued patent by pointing out to the agency that a prior art patent or printed publication raises a substantial new question of patentability of at least one claim of that patent. When preparing the request, the requesting party can generally choose between an inter partes re-examination proceeding, with the right to intervene throughout the proceeding, including any appeals; and an ex parte proceeding, where, after requesting re-examination, they are generally relegated to observer status throughout the proceeding.

There are many factors at play when deciding which of these two options to pursue; with cost, timeline and potential estoppel issues being the most commonly mentioned. Presentation of these two options to a business leader with a dry focus on the differences between the proceedings, statistical data or historical trends adds little value.

Instead of focusing on this publicly available data, a considered approach includes a discussion of business objectives. What is the ultimate goal? Is complete invalidation of all claims necessary, or is it sufficient that one or more claims be canceled or even just amended? Could the re-examination proceeding itself be sufficient to accomplish a business objective, regardless of its outcome? What about the mere threat of a re-examination? How strong is the prior art? Are there multiple independent reasons, based on different prior art documents, that invalidate one or more claims?

It is a discussion of these questions that reveals the answer to the ex parte/inter partes decision that is made prior to requesting re-examination.

## **Re-Examination in the Litigation Context**

Re-examinations are often discussed together with or as an alternative to patent litigation. An initial factor requires consideration of the audience. Would you rather present your case to a judge/ jury, or to the more technically oriented USPTO? What technology is involved? How nuanced is the invalidity argument? Does it require the combination of multiple prior art documents?

A discussion of these preliminary matters should indicate whether a re-examination furthers your ultimate goal.

Concurrent re-examination and litigation proceedings require decisions about the timing and type of re-examination (i.e., ex parte/ inter partes). The conversation often turns to the estoppel provisions of inter partes proceedings that apply to issues that were or could have been raised in the re-exam request.

The estoppel considerations are important but need not dominate the discussion. For example, does the ultimate business objective require that the co-pending litigation proceed to trial and final decision? Estoppel provisions become less relevant when a settlement is the desired or likely outcome.

Another important factor in the litigation context involves using the re-examination as leverage to obtain a stay in the litigation. The granting of stays varies from jurisdiction to jurisdiction and even from judge to judge.

Coordinating a request to stay litigation in lieu of a pending re-examination again necessitates a discussion of overall business objectives. Is a stay of litigation proceedings itself sufficient to accomplish a business objective? How does it effect settlement negotiations? What are the odds that the stay will be granted? Are there repercussions if the stay is denied?

Timing is a factor, as generally the chances of obtaining a stay increase the sooner the request for re-examination is filed.

Re-examinations can have a powerful effect on litigation in other ways as well. For example, is the patent near the end of its period of enforceability? If so, amendments to the claims during re-examination could eliminate past damages, which by itself may be a victory sufficient to accomplish business objectives and render litigation of any new or amended claims essentially meaningless.

Do sensitivities of human interaction come into play? For example, the judge may perceive a request for re-examination as a maneuver that circumvents the judge's authority by instead turning to the USPTO for validity judgments. While cold justice dictates that facts and the law should prevail, human sensitivities should not be underestimated.

Strategic coordinated management of parallel re-exam and litigation proceedings is paramount. The fundamental point is to decide how the re-examination proceeding should be used in concert with the litigation to achieve the desired result.

## **Re-Examination in the Licensing Context**

From time to time, business leaders and innovators receive awkward "invitations" from their competitors to take a license. This can put a potential licensee in a precarious situation. One may have a business interest in avoiding the headache that is patent litigation, but may also insist on a high level of

assurance that they are only paying for licenses to valid patents. Re-examinations have a strong role to play in this context.

Knowledge that a re-examination is a reasonable possibility strengthens the licensee's position, but must be carefully revealed to the licensor. Ex parte re-examinations may be filed anonymously, however, depending on the particular situation the licensor/patent owner may have a pretty good idea who is behind the re-examination.

A more valuable way to leverage re-exam proceedings in the licensing context may be to prepare a so-called pocket request for re-exam, where you prepare the request for re-examination but do not file it with the USPTO. Rather, simply present the request for re-examination to the patent owner (or make them aware of its existence) as a tactic to negotiate more favorable licensing terms.

The risk involved in filing a request for re-examination in this context must be kept in mind. While a successful re-examination could invalidate the relevant claims and moot the need for a license, an unsuccessful re-examination could increase the asking price and antagonize the patent owner.

The facts surrounding the potential licensing of patented technology should be diligently evaluated to decide how a re-examination maximizes leverage in the licensing context.

### **Re-Examination in the Venture Capital Context**

Patent portfolio development takes on added importance in the venture capital realm. The success of the company and funding for its future often hinges entirely on a small number of core technology patents.

It is the quality, and not the quantity, of a patent portfolio that matters most to the experienced venture capitalist. Patent re-examination can have a strong role in patent quality assurance, as a patent that survives a re-examination proceeding has been twice vetted by the USPTO.

A diligent venture capitalist may discover prior art that causes concern and could hinder or reduce funding. A patent owner in this situation has options.

For example, this may be a situation where a patent owner requests re-examination of their own patent in light of the prior art at issue. The USPTO should consider this prior art, and any claims resulting from the re-examination proceeding should be patentable in view of this prior art. This increases the standing of the patent in the eyes of the venture capitalist, provided the claims are still valuable.

Other options, such as reissue proceedings are also available to the patent owner, who is well-advised to speak with an experienced patent lawyer to develop a proper patent portfolio strategy.

### **Clearing the Patent Thicket**

Knowledge of competitors' patent portfolios is of course critical to business development. Proactive assurance that your products do not infringe the patent rights of others is necessary to prevent all sorts of problems, including patent infringement, injunctions and revenue-draining licenses. Strategic re-examinations have their place in this context as well, as relatively inexpensive tools to invalidate or amend blocking patents and provide a footprint for your products.

Re-examinations more clearly define patent boundaries and provide operating space. Robust and proactive service in the interests of your business dictates that patents in the relevant technical field be monitored and evaluated, with re-examination considered when claims of dubious validity are identified as potential obstacles.

### **Traps for the Unwary**

Business decisions can have unintended consequences. This is especially true in the relatively new and unsettled re-examination context. The serious care that should be given to decisions regarding re-examination is reinforced by the fact that you cannot unfile a re-examination request.

Once the USPTO grants a request for re-examination, the proceeding will generally continue until the issuance of a re-examination certificate that confirms, amends, cancels or adds new claims to the patent.

During re-examination, the patent owner will likely seek to maintain the issued claims in original form, and would be well-served to add new claims as well. When the patent owner knows or suspects who is behind the re-exam, the amended and new claims will likely be drafted so as to be infringed by the requester's products, with potentially serious consequences.

A savvy requester will study their competitor's patents and the prior art, prior to requesting re-exam, to identify and analyze any additional unclaimed subject matter the patent owner could claim during the re-exam proceeding.

Re-examination proceedings are full of procedural pitfalls. Of course, a patent lawyer who reads the rules should be able to avoid most of these situations, but many mistakes are still commonplace, as re-examination procedure is notably different than standard patent prosecution procedure.

While these mistakes can sometimes (but not always) be corrected, at the very least they cause delay and should be avoided as a matter of general practice. The requirements of the request for re-examination are onerous, and result in a large number of requests being denied entry until the procedural defects are remedied.

Other pitfalls involve procedures for adding new claims, indicating how the claims are supported in the description of the patent, requesting extensions of time, restrictions on amending the claims after a final rejection, page limits and prohibitions on broadening the claims.

The USPTO has a dedicated examination unit for re-examinations, and procedural trip-ups are unlikely to enrage the experienced core of patent examiners to your plight.

### **Re-Examination in the Marketing Context**

Press releases, website postings and papers filed in litigation proceedings often trump up requests for re-examination or the current status of re-examination proceedings. While it is important to convey this information to investors, customers, competitors and the general public, one is well-served to keep this propaganda honest and accurate, with appropriately set expectations.

For example, the USPTO routinely indicates that there is a substantial new question as to the patentability of a claim, and routinely rejects claims in re-exam proceedings. These actions are not outcome determinative and should not be touted as such. Premature chest thumping can throw off

investors, mislead customers and damage corporate reputations if the trumpeted results fail to materialize.

Re-examination proceedings take time, and essentially all papers filed in the context of these proceedings are publicly available. A mature marketing approach realistically portrays the nature of the proceedings, framed by the ultimate business objectives.

## **Conclusion**

The timing, type and prosecution of a re-examination proceeding should be the natural conclusion of a diligent and considered thought process. Re-examinations are most effective as a tool to further a business objective by leveraging a patent portfolio, or to defend against an overbroad patent that has encroached beyond its appropriate boundaries.

When used effectively, re-examination practice is an inexpensive alternative or supplement to litigation. Re-examinations can also add value to licensing negotiations, increase funding opportunities, and increase sales or market share by providing freedom to operate in a given technological field.

--By James De Vellis, Lando & Anastasi LLP

*James De Vellis is an associate at Lando & Anastasi in Boston.*

*The opinions expressed are those of the author and do not necessarily reflect the views of the firm, its clients, or Portfolio Media, publisher of Law360.*

