Re-Examination Request: To File Or Not To File?

Law360, New York (May 14, 2009) -- Patent re-examinations, which question the validity of a patent, have become increasingly popular strategic defensive weapons in high stakes patent litigation. Once considered an obscure administrative procedure, re-examinations are now changing the way patent litigation is fought and won.

Deciding whether and when to file a re-examination request can be as important as preparing the filing itself. You can make a good decision by realistically and comprehensively defining the objectives that you seek through re-examination, and then assessing statistics that account for those objectives to understand the potential risks and rewards associated with this specialized tool.

Re-Examination Statistics May Mislead

While re-examination statistics are widely distributed and freely posted by the U.S. Patent and Trademark Office, the accompanying commentary on the state of re-exams often needs further information and analysis.

Historical re-examination statistics are too narrowly focused, suggesting little more than the likelihood of patent emergence, and claim amendments therein.

In fact, statistics typically categorize re-examinations into only three groupings based on treatment of originally pending claims: claims cancelled, claims amended and claims confirmed without amendment.
Organized in this manner, data consistently suggest a high rate of patent emergence among all patents that are re-examined, which illustrate the historical outcomes of ex parte and inter partes re-examinations since commencement of those proceedings in 1981 and 1999, respectively.

Specifically, statistics showing the percentage-based outcomes for ex parte re-exams, filed 1981 to June 30, 2006, indicate that 10 percent of re-exams result in all claims cancelled, 64 percent result in amended claims and 26 percent result in all claims being confirmed.

Similarly, percentage-based outcomes for inter partes re-exams, filed 1999 to present, indicate that 69 percent of re-exams result in all claims cancelled, 22 percent result in amended claims and 9 percent result in all claims being confirmed.

These statistics reveal nothing about the likelihood of outcomes achieved by requestors in the absence of claim amendments or cancellations, notwithstanding the beneficial effects of various outcomes (e.g., argument-based estoppels) that do not necessarily involve a claim amendment or cancellation.

Historical re-examination statistics are based exclusively on concluded re-examination proceedings, which creates another problem of stale data, since most completed re-examinations are more than five years old and re-exams remain pending for an average of more than two years.

Recent statistics indicate a pendency of 24.9 months for ex parte re-examinations and 34.9 months for inter partes re-examinations. As a consequence, data regarding recent re-examinations is largely dwarfed by aggregated historical statistics.

Thus, the overall published statistics have changed little, even as the rate of invalidating all claims has risen dramatically for ex parte re-examinations in recent years, rising from just over 10 percent historically to nearly 20 percent for 2008 re-exams.

**Impact of Recent Developments on Re-Examinations**

Recent procedural developments affecting re-examination have had a profound impact on the use and effectiveness of the re-examination tool. These developments include creation of the Central Reexamination Unit (CRU); enactment of Inter partes re-
examination (IPR); and the inception of appeal for IPR.

In addition, changes in the patent jurisprudence such as the recent KSR decision, which yielded new USPTO examination guidelines, have dramatically affected rates of allowance in patent matters including re-examination.

As the Supreme Court’s seminal decision on obviousness, the KSR decision now permits the USPTO to use a less formalistic approach in identifying obviousness. The Supreme Court issued its decision in April 2007 and the USPTO published its KSR guidelines in the Federal Register on Oct. 10, 2007 (See 72 Fed. Reg. 57526, 57528).

Re-examination has also been affected by other changes in the law. For instance, even in the absence of articulated examination guidelines, practitioners can attest to the considerable impact of several recent decisions on USPTO examination practices, which ultimately affect re-examination allowance rates.

Objectives Matter

To make a good decision on whether or not to file a re-examination request, decision-makers must conduct a comprehensive analysis of re-examination data that accounts for the impact of momentous procedural and legal developments and the limitations of historical statistics. More importantly, the various objectives that may be sought by potential re-examination filers must be considered.

Since re-exams remain pending for an average of more than two years, today's statistics do not reflect the context of prosecution for a re-exam filed today. Rather, they reflect the context of prosecution for re-exams filed years ago.

In order to evaluate the merits of whether to file a new re-exam request, serious attention should be given to data representing the current realities that best inform the present and immediate future, as well as current trends that best inform the context of prosecution beyond the immediate future.

Current realities are not revealed through inspection of stale data, such as data that is heavily reflective of outcomes in re-exams concluded well before the inception of the present analysis. Current realities are instead best informed by reviewing only the
most recent cases and outcomes.

Therefore, we recommend a review of data captured from re-examinations concluded after a momentous development that is likely to affect re-examinations.

For example, evaluating data from re-examinations concluding in 2008 may be used to account for the creation of the CRU and implementation of KSR guidelines, and is recommended over consideration of data preceding those events, whether alone or in combination with the post-CRU/KSR data.

Since 529 ex parte re-exams were concluded in 2008, this approach is likely sufficient to inform grounded conclusions. Incidentally, and not surprisingly, inspection of such data suggests a significant improvement relative to historical data, increasing the rate of cancellation/amendment from 10 percent to 20 percent, with rates at which argument-based estoppel arises changing similarly.

Relevant trends are similarly ill-informed by inspection of stale data. They too are best informed through reference to the most current re-examinations available.

For example, numerous empirical data points suggest that the USPTO is tightening its initial determination on identifying a substantial new question of patentability (SNQ) evaluation.

Specifically, the USPTO seems to be considering the relationship between newly submitted art and previously considered art in attempting to avoid considering cumulative publications. To the extent that the available prior art is somewhat questionable, such information informs a more conservative strategy.

Given the two-year or more pendency of re-exams, trending data and a focus on recent procedural and legal developments become all the more important. In fact, given the latency, trends may be the more important barometer.

Prospective requesters should account for argument-based estoppels. One particular failing of the current statistics is their inability to quantify or enable analysis of argument-based estoppels often yielded through re-examination. The mere existence of
such estoppels is often lost on a casual third-party observer (and sometimes, the patentee).

Also, the significance of such estoppels varies greatly due to the nature of detrimental arguments, as well as the nature of the impact of such arguments (e.g., estoppel regarding an independent claim or a primary feature of an accused product versus estoppel regarding a dependent claim or an ancillary feature of an accused product).

As such, individual re-examinations and cases must be evaluated to attain anecdotal and other evidence of argument-based estoppels. Yet, with this in mind, we find argument-based estoppels of significant nature present in a high percentage of the patents that emerge from re-examinations, even where no claims are amended or cancelled.

Supplementing the existing amendment or cancellation statistics to reflect this reality, a recent (though limited) survey indicated that argument-based estoppel was being created in at least 50 percent of re-examinations in which claims were not cancelled. Others estimate this percentage to be far greater.

Prospective requesters also should account for stays. On average, across jurisdictions, and without regard for timing, stays are granted an average of about 54 percent of the time requested.

However, success in seeking to stay a litigation depends on many factors, not the least of which is the jurisdiction and timing of the request. For that reason, evaluating the history of stay requests in your jurisdiction can be extremely telling, and is highly recommended.

For example, for stays sought in 2007 and 2008, the Northern District of California granted in approximately 72 percent of its affected litigations, while the Eastern District of Texas granted stays in approximately 33 percent of its affected litigations.

Consulting data available for your jurisdiction, or general data if considering re-examination prior to lawsuit initiation, a potential requestor should consider the potential and desirability of obtaining a stay when determining a related risk factor.

Finally, prospective requesters should account for other potential impacts of re-examination, such as diminished injunction threats and improved licensing negotiations.
These are general risk factors, which transcend statistics of the type described above. They are simply more difficult to quantify, as is their importance generically. For example, if a PI threat is credible and debilitating, other statistics may be trivialized in comparison.

It is important to consider the type and quality of available validity and enforceability defenses that are not reliant on the art used in the re-exam. Examples include challenges based on sale and public use prior art, section 112 issues or inequitable conduct, none of which is available to challenge an original claim in re-examination.

To the extent that no such challenges exist, levying a re-exam is sometimes seen as potentially transforming the trial to a trial on infringement, which may or may not be palatable, depending largely on the quality of the non-infringement defense contemplated.

**Putting It All Together**

Clearly, the process of assessing risk and reward is quite complex when considering whether and when to proceed with re-examination. However, in general, the various factors discussed above yield a risk profile that tends to favor re-exam requestors in a majority of all re-examinations (depending on the type of re-exam).

On a case-by-case basis, we recommend developing a risk profile for any particular re-examination, accounting for the various desired objectives and discounting factors outside of the scope of this paper, such as quality of the prior art.

For example, a party that seeks re-exam at the onset of litigation may realize benefits from argument-based estoppel, stays and intervening rights in addition to the potential for amendments and cancellations of claims.

In the case of ex parte re-exams, it is reasonable to conclude that requesters will benefit from reexams in a great majority of the ex parte re-exams when considering that claims are cancelled approximately 20 percent of the time, estoppel is created in at least 50 percent of the re-exams in which all claims are not cancelled (irrespective of whether the claims are amended), and stays are granted in a slight majority of litigations. In the case of inter partes re-exam, these estimates rise even further.
In contrast, for a company that does not or cannot file early enough to ensure the benefits of argument-based estoppels, or that would not materially benefit from a stay, the benefit is estimated at a far lower rate of 20 percent to 70 percent (depending on whether inter partes re-exam is available and whether argument-based estoppel can be relied upon).

As indicated, timing plays a significant role in assessing risk and reward, primarily since timing dramatically affects the ability of a requester to reap benefits from using the re-examination to achieve argument-based estoppels, stays, diminished preliminary or permanent injunction threats and negotiation leverage.

In fact, argument-based estoppel has to be weighted to account for difficulties in gaining admissibility at trial, particularly if filed after Markman.

**Conclusion**

In considering whether to use a specialized tool like re-examination, which bridges the gap between prosecution and litigation, these and other strategies may be used to assess your risks and rewards and achieve your objectives.

Consideration of the issues above will assist you in appropriately employing re-examination, and increase the chance for a desirable outcome.

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