

FRINGE EFFECTS:

Strategic Considerations and Counsel for the Parallel Universes Of Patent Litigation, Reexaminations and Interferences

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Increasingly, patent litigation is conducted in parallel with some type of reexamination proceeding, either an *inter partes* reexamination in which both the Requester and Owner participate in the entire proceeding, or an *ex parte* reexamination in which only the Owner participates after the reexamination is started, or sometimes both types of proceedings. Last fiscal year, it is estimated that there were parallel reexamination proceedings in about 10-15% of all patent lawsuits filed last year.² Ten years ago, there were no overlapping *inter partes* reexaminations, and parallel *ex parte* reexaminations happened in only about 2.5% of all patent lawsuits filed.³

Interferences, on the other hand, seem to be headed in the opposite direction. As the oldest contested matter handled by the Patent Office, interferences are used to resolve who is the first inventor between two parties, the senior party having the earlier filing date and the junior party with the later filing date who must prove an earlier date of invention. Last fiscal year, there were only 52 interferences declared by the BPAI.⁴ Ten years ago, 136 interferences were declared by the BPAI.⁵

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² There were nearly 2700 newly filed patent lawsuits in FY 2010. Kyle Jensen, Counting Defendants in Patent Litigation, <http://www.patentlyo.com/patent/2010/10/guest-post-counting-defendants-in-patent-litigation.html> (last visited February 21, 2011). The USPTO reports concurrent patent litigation in connection with its reexamination statistics. In FY2010, there were 281 *inter partes* reexaminations filed, with approximately 70% of those reexaminations reported as being connected with lawsuits, or about 200 concurrent cases; and there were 780 *ex parte* reexaminations filed, with approximately 32% of those reexaminations reported as being connected with lawsuits, or about 250 concurrent cases.. See, *Inter Partes* Reexamination Filing Data, USPTO, December 31, 2010; *Ex Parte* Reexamination Filing Data, USPTO, December 31, 2010. Adding together the 200 concurrent *inter partes* reexaminations (7%) and the 250 concurrent *ex parte* reexaminations (9%), this would represent about 16% of those lawsuits. Because at least some of cases involve an overlap of both *inter partes* and *ex parte* reexaminations, and because multiple reexaminations are typically filed in connection with a single multi-patent lawsuit, the actual percentage is less than the simple addition of these percentages. In addition, *ex parte* reexaminations tend to be filed either by the patent owner prior to a new lawsuit as a preemptive tactic, or toward the end of lawsuit by a losing defendant as part of a last stand strategy, which tends to further reduce the number of situations where reexaminations are substantially overlapping with litigation.

³ There were approximately 2484 newly filed patent lawsuits in FY 2000. Gauri Prakash-Canjels, *Trends in Patent Cases: 1990-2000*, 41 IDEA 283, 284 (2001). There were 318 *ex parte* reexaminations filed. So, if 30% of those reexaminations had concurrent litigation, this would represent only 3.5% of those lawsuits. As discussed above, because of the reductions due to timing considerations and multiple reexaminations filed per lawsuit, the actual percentage overlap would be less.

⁴ FY 2010 September Interferences OG Report, USPTO, September, 2010.

⁵ Process Production Report, Final Report, USPTO, 2000. ("Inter partes cases").

There are several reasons for the diverging trends among these different types of contested matters. For the first time since *inter partes* reexamination proceedings were enacted, there are now more patents for which this proceeding can be used than there are patents for which it cannot be used.⁶ On balance, patent defendants are becoming more comfortable with the idea that the potential advantages of *inter partes* reexamination (lower standard of proof, different standard for claim construction, and possibility for stays/delays) can outweigh the potential disadvantages of reexamination (estoppels and “gold plated patent” effects if a patent survives reexamination). Perhaps most importantly, patent litigators on both sides are starting to appreciate the strategic implications of conducting parallel proceedings at the Patent Office, especially in high value cases.

Despite a series of fairly effective changes over the last decade that were made to improve the processing of interferences, these older types of contested matters continue to descend into their one-time namesake: “the black hole of the Patent Office.” Outside of the bio/pharma art units where potential interferences are identified based on computerized claim matching, there has been a steady reduction in interferences declared from other art unit. Perhaps this decline is due to the complications imposed since 1999 that require potential interfering parties to evaluate possibly overlapping claims as of their publication, instead of just at their issuance. Perhaps the decline is due to an increasing focus within the art units on rejecting applications seeking to declare interferences based on a stricter standard for written description support for the copied claims. Whatever the reasons, if Congress enacts Patent Reform, interferences will be driven to extinction in favor of the proposed derivation proceedings under a first-inventor-to-file scheme.⁷

This paper outlines some of the pitfalls that can be encountered in the parallel universes of patent litigation, reexamination and interferences, and discusses how strategic considerations can impact the interplay of these different kinds of parallel proceedings. Our expectations are that parallel proceedings, like parallel universes, should operate in similar ways. But, as cosmology theory and even the Fox TV series *Fringe* teach us, parallel universes are complex, unpredictable and full of unintended consequences. Trying to predict what will happen as result of the interplay of these parallel universes can be tricky and full of surprises.

LITIGATION, REEXAMINATIONS AND INTERFERENCES - A QUICK COMPARISON

In addition to the obvious difference that reexaminations and interferences are conducted in a different forum than litigation, contested proceedings at the Patent Office also use somewhat different rules than patent litigation. Table 1 lays out some of the more important similarities and differences in these two kinds of parallel proceedings.

⁶ *Inter partes* reexamination is currently not available for any patents filed before November 28, 1999. Based on the number of patents issued per year over the last twenty years, assuming an average pendency of three years and applying USPTO statistics on the percentage of issued patents for which maintenance fees are not paid, there are now more issued and unexpired patents that were filed after November 28, 1999, than were filed before this date.

⁷ Patent Reform Act of 2011, S. 23, 112th Cong. §135 (2011).

	Patent Litigation	Inter Partes Reexam	Ex Parte Reexam	Interferences
<i>Participants</i>	Plaintiff and Defendant	Requester and Owner	Only Owner (after request)	Junior Party and Senior Party
<i>Available Prior Art</i>	All kinds	Only patents and printed publs	Only patents and printed publs	All kinds – subject to motion
<i>Claim Amendments</i>	None	Only narrowing	Only narrowing	All kinds – subject to motion
<i>Section 112 Considered</i>	Yes	Only for amended or new claims	Only for amended or new claims	Threshold issue
<i>Interviews/Hearings</i>	Yes	Only at BPAI	Yes, with Examiner and BPAI	Yes, with APJ and at Panel Hearing
<i>Discovery</i>	Yes	No	No	Limited – subject to motion
<i>Duty of Candor</i>	Only by discovery and xxx disclosure	Yes, ongoing	Yes, ongoing	Yes, ongoing
<i>Claim Construction</i>	<i>Phillips v. AWH – Markman</i> hearing	Broadest Reasonable - ?	Broadest Reasonable	Broadest Reasonable
<i>Estoppel</i>	Yes – <i>res judicata</i> and issue preclusion	Yes – any issues raised or could have been raised	No	Yes – against losing party

Table 1 – Comparison of Litigation, Reexaminations and Interferences

BY THE NUMBERS – TIMING AND OUTCOMES

The other differences between patent litigation and contested matters relate to timing and cost. Reexamination and interferences at the Patent Office were originally intended to be a quicker and less expensive option to traditional patent litigation. While reexaminations and interference are typically an order of magnitude less expensive than similar efforts undertaken by way of patent litigation, they can take longer than patent litigation. The latest statistics on the timing and outcomes of reexaminations as reported by the Patent Office can be summarized as follows:

	Total Requested	Total Granted	Average Pendency
Interferences		55 (FY2010)	12 (FY2010)
<i>Ex parte</i> Reexam	11,211	9835 (93%)	25.6 mos.
<i>Inter Partes</i> Reexam	1,115	932 (96%)	36.3 mos.

Table 2 – PTO Reported Grant and Pendency Statistics for FY2010

Interferences have seen significant improvement in terms of timing with almost all interferences resolved within 2 years of the interference being declared, and the average pendency being about 1 year from the time the interference is declared.⁸ In comparison, it would seem that *ex parte* reexaminations take, on average, a year longer than interferences - 26 mo. average for *ex parte* reexaminations⁹ - and that *inter partes* reexaminations take,

⁸ FY 2010 Performance Measures, USPTO, 2010.

⁹ *Ex Parte* Reexamination Filing Data, USPTO, December 31, 2010.

on average, two years longer than the average for interferences - 36 mo. average for *inter partes* reexaminations.¹⁰

At first blush, the statistics for overall averages does not appear to be too far out of line; however, it is important to understand that the overall statistics reported by the Patent Office for *inter partes* reexaminations include a large number of cases that cannot fairly be characterized as truly contested cases. So, in order to evaluate data that should be more representative the timing and results in the kinds of truly contested cases that are more likely to be involved in parallel patent litigation and reexamination proceedings, it is helpful to look at only those statistics associated with *inter partes* reexaminations that have gone all the way through the reexamination process to a final decision by the BPAI. When considering only this subset of reexaminations, and when presenting this information based on the year in which the reexamination was filed, some interesting trends emerge.

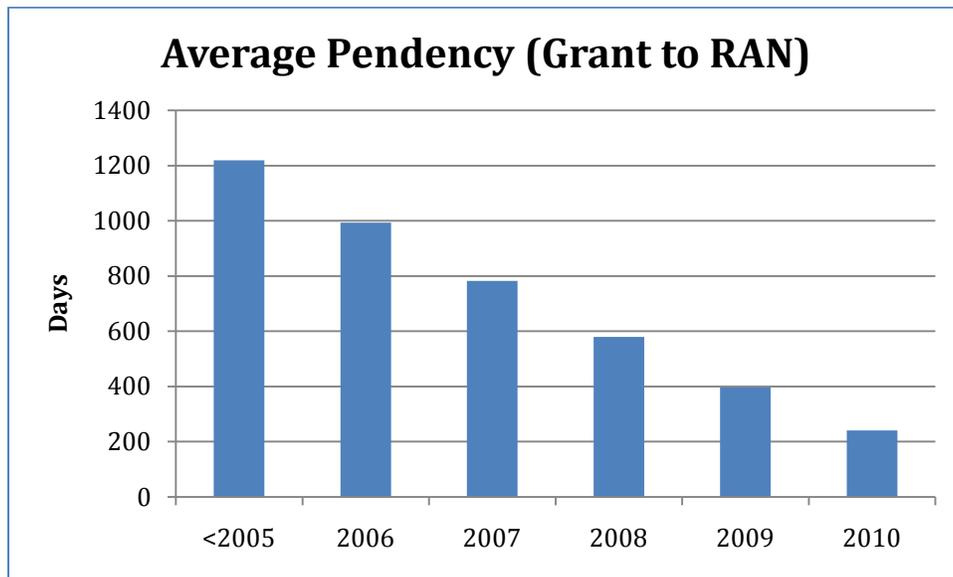


Figure 1 - Average Pendency of Contested IPRs - Grant to RAN (by year)

¹⁰ *Inter Parte* Reexamination Filing Data, USPTO, December 31, 2010.

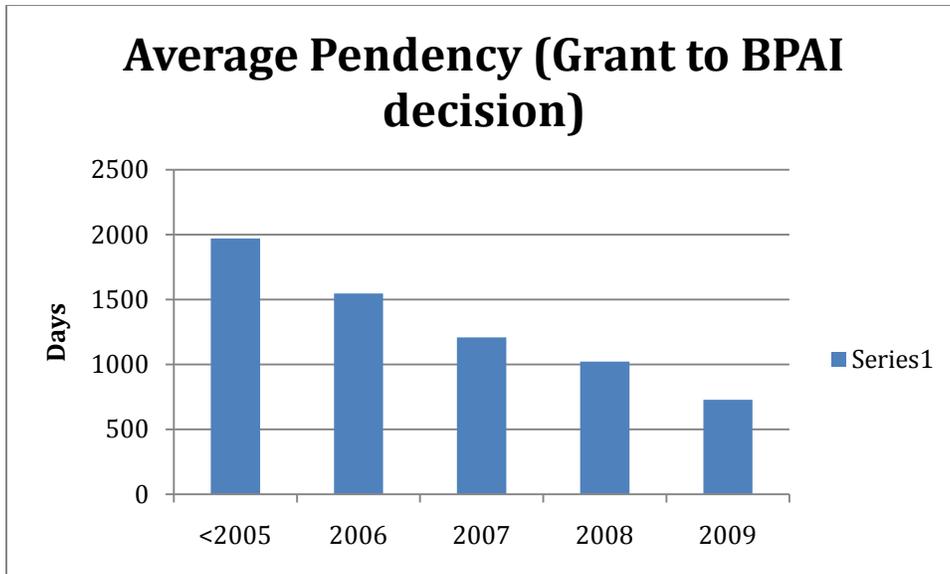


Figure 2 – Average Pendency of Contested IPRs – Grant to BPAI decision (by year)

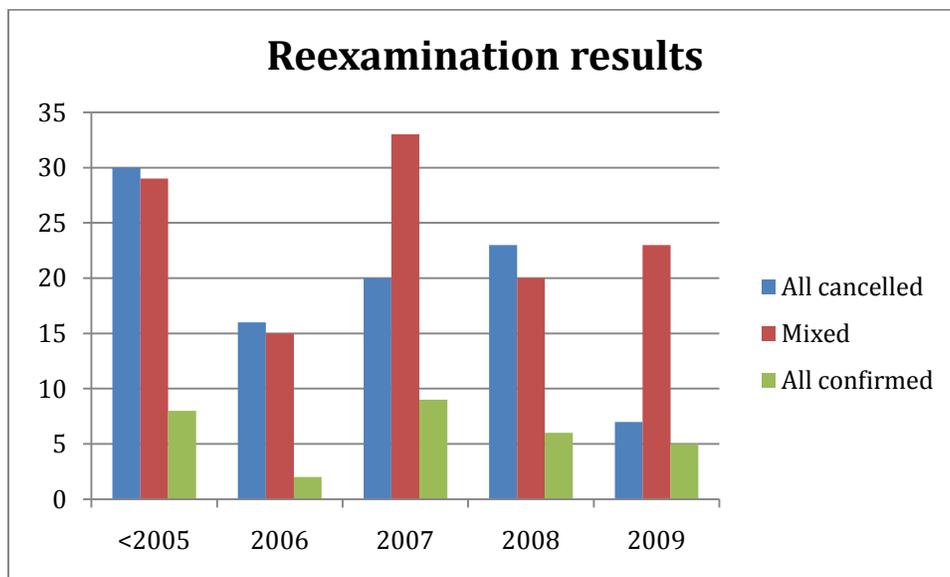


Figure 3 – Reported Results of Contested IPRs (by year)

Since the adoption of the central reexamination unit (CRU) in 2006, the timeliness of the Patent Office in conducting *inter partes* reexamination has continually improved for fully contested cases that have been decided by the BPAI. Unlike the overall “kill rate” reported for all *inter partes* reexaminations,¹¹ the outcomes of fully contested cases is much more of a mixed bag. Assuming that about half of the “mixed” results are still favorable to the patent owner, then the overall percentage of “wins” for the patent owner in *inter partes*

¹¹ *Supra* fn. 10. The USPTO reported that 60% of all *inter partes* reexaminations end with all claims cancelled or disclaimed, while 27% of all *inter partes* reexamination end with at least one claim amended.

reexamination ends up being similar to the overall percentage of “wins” for the patent owner in fully contested patent litigation (typically about 25%).¹² And, just as can happen in litigation, a “win” in reexamination does not automatically translate into a monetary victory. Even if a claim survives reexamination, amendments or arguments made during the proceeding can sometimes spell doom for achieving an ultimate success.¹³

Even though timing has improved, it is important to point out that the timing of *inter partes* reexaminations cannot even remotely be characterized as meeting the statutory mandate that *inter partes* reexamination be conducted “with special dispatch.”¹⁴ While it may be acceptable to have some procedure take more than 4-6 years to get to a final agency action, there are real world consequences to the lethargy with which the Patent Office has conducted these kinds of contested matter proceedings. It is this disappointment with the current track record of *inter partes* reexaminations that has led to the current version of Patent Reform effectively replacing this lengthy proceeding run by the Examining Corp with more streamlined procedures (post grant review and inter partes review) that are each run by an Administrative Procedure Judge (APJ) under a statutory deadline of 1 year for reaching a final agency action decision.¹⁵

REEXAMINATION PITFALLS & POINTERS

REEXAMINATIONS - SUBSTANTIAL NEW QUESTION (SNQ)

In order to initiate a re-examination, the Requester must present a substantial new question of patentability with respect to at least one claim in the patent. Over the last decade, the SNQ has been an evolving standard. Initially, the Patent Office interpreted the SNQ standard to require that the new question must be based on a reference not previously considered or cited during original prosecution. In 2002, Congress amended the statute to clarify that a reexamination could be based on a reference that had already been considered or cited during original prosecution.¹⁶ The relatively low threshold resulting from this change has been credited with the very high success rate of requesters in initiating a re-examination (>90%).¹⁷ In reality, a high success rate for Requesters should be expected given the cost and effort that are expended to prepare a reexamination request and the increasing availability of access to prior art on the Internet that was not considered during original examination.

More recently, the Patent Office has again sought to tighten the standards for initiating a reexamination through updates to the MPEP and notices regarding best practice guidelines. The instructions to examiners and requesters in these materials suggest that a successful

¹² Paul M. Janicke et al., *Who Wins Patent Infringement Cases?*, 34 AIPLA 1 (2006).

¹³ See e.g., *In re Katz Interactive Call Processing Patent Litigation*, Fed. Cir. Cases 2009-1450, -1451, -1452, -1468, -1469, 2010-1017 (Fed. Cir., Feb. 18, 2011).

¹⁴ 35 U.S.C. §314(c) (1999).

¹⁵ Patent Reform Act of 2011, S. 23, 112th Cong. §316(12) (2011).

¹⁶ H.R. 1866, 1886, s. 1754; incorporated in H.R. 2215, 107th Cong. (2002) (enacted).

¹⁷ See, *Inter Partes* Reexamination Filing Data, USPTO, December 31, 2010; *Ex Parte* Reexamination Filing Data, USPTO, December 31, 2010.

request for reexamination requires Requesters to show that there is a “new technological teaching” presented by the references in the request that was not previously considered by the Patent Office.¹⁸ One of the challenges that a requester faces in trying to comply with the “new technological teaching” guideline is that the examiners at CRU can engage in a relatively subjective evaluation of the reasons for allowance during original prosecution. In cases where there is not good documentation on the reasons for allowance, this exercise can become quite speculative.

Another pitfall that can occur in connection with the SNQ threshold is the possibility that the Patent Office declares a partial re-examination involving some, but not all, of the claims of the patent. In this situation, the impact on the non-reexamined claims can be complex and unpredictable. If some claims are reexamined that are not patentably distinct from other unexamined claims in patent, the ultimate effect of the reexamination in terms of estoppel, intervening rights and enforceability of these different sets of claims will be unknown.¹⁹

***INTER PARTES* REEXAMINATIONS – PATENT OWNER PITFALLS**

Outside of the inability to conduct examiner interviews, the biggest pitfall for Owners in *inter partes* reexaminations is the broader standard of claim construction. If the CRU examiner adopts a broadest possible construction without reference to the original prosecution history, the Owner can spend much of the limited pages allotted during these proceedings arguing against what is effectively an unreasonable construction. There has yet to be a Federal Circuit decision formally adopting the broadest reasonable construction standard for *inter partes* reexaminations proceedings, but the Patent Office has used case law applying this standard in the context of *ex parte* reexamination to bring the same standard of claim construction over to *inter partes* reexaminations.²⁰

One way of responding to an unreasonable position taken by the CRU examiner on claim construction is to make clarifying amendments during the course of the reexamination. But amendments made during reexaminations can easily be a trap for the unwary. First, any amendment during reexamination cannot enlarge the scope of the claims, or otherwise recapture subject matter surrendered during original prosecution. Second, amendments or new claims made during an *inter partes* reexamination change the rules of the game, effectively opening the door for the Requester to argue Section 112 issues for the amended claims in addition to prior art issues. Finally, amendments made during reexamination that substantively or materially change the claims can potentially create intervening rights with respect to past damages that might otherwise be accruing for the patent. The best practice tip

¹⁸ U.S. Pat. & Trademark Office, U.S. Dep’t of Commerce, Manual of Patent Examining Procedure §2216 (8th ed., 8th rev. 2010) (hereinafter MPEP). Whether these efforts to clarify the SNQ standard are legitimate exercises of the Patent Office authority to promulgate procedural rules is an open question given that the MPEP is admittedly not considered rule making or authoritative, and that the Best Practice Guidelines were not promulgated as part of any notice and comment rulemaking.

¹⁹ *Inter Partes* Reexamination Control no. 95/000,534 (a substantial new question of patentability was found for dependent claim 8, but not for claim 1 from which claim 8 depends).

²⁰ *In re Yamamoto*, 740 F.2d 1569 (Fed. Cir. 1984).

for Owners is to make sure that claim amendments are strategically evaluated as if playing 3-dimensional chess, keeping in mind all of these different kinds of issues that can come into play as a result of any kind of claim amendments.

The other big pitfall for Owners is how to manage the obligations imposed by the duty of candor, especially if there are co-pending family or related cases that are also being prosecuted.²¹ The existence of co-pending patent litigation can turn this task from a mere Herculean effort into an unimaginable nightmare. Current rules and procedures for reporting concurrent litigation, on the one hand, discourage the Owner from submitting extraneous materials generated in the patent litigation. Rule 1.56(b)(2), on the other hand, seems to impose an ever-expanding net of obligations for the Owner to submit not only the Owner's comments/arguments about the patentability and interpretation of the claims, but also anything the defendant(s) have to say about these issues and, of course, whatever the court may find on these issues. This obligation exists, even though current case law provides that findings of a district court are not binding on the Patent Office,²² and it is questionable whether they would even be considered as evidence by the Patent Office. To top all of this off, the Owner must in many cases also contend with the limits of a protective order entered in the co-pending litigation. Such orders will typically constrain the ability for outside patent counsel conducted the reexamination to have access to certain materials, let alone have the authority to submit those materials for consideration and publication pursuant to the reexamination. Figuring out a way through this ever-changing minefield is a thankless task that can be daunting for even the most seasoned patent practitioner. Let us all hope that the Federal Circuit can inject some kind of sanity back into the system on this issue with their decision in *Therasense*.²³

***INTER PARTES* REEXAMINATIONS – REQUESTER PITFALLS**

While Requesters are allowed participation rights in *inter partes* reexaminations, Requesters have to be wary and need to be able to evaluate and decide on all possible options to be pursued in the *inter partes* reexamination at a very early stage, often before the request is filed and certainly no later than the requester's response to the First Action. *Inter partes* reexamination is a game best played by Requesters using the Boy Scout's motto – "Be prepared."

One of the reasons to be prepared is that a savvy Owner can control whether a Requester has an opportunity to participate by not submitting an Owner response. If, for example, the initial Office Action does not maintain rejections for certain claims and the Owner is satisfied with those allowed claims, then the Owner could choose to not file a response. If this happens, the Requester does not get to file a reply. One consequence of this strategic gambit by the Owner is that the Requester effectively has only one opportunity to submit evidence by declaration, and that would be with the initial request.

²¹ *Larson Mfg. Co. of S.D. Inc. v. Aluminart Prods. Ltd.*, 559 F.3d 1317 (Fed. Cir. 2009).

²² *In re Trans Texas Holding Corp.*, 498 F.3d 1290 (Fed. Cir. 2007); *In re Translogic Technology, Inc.*, 504 F.3d 1249 (Fed. Cir. 2007).

²³ *Therasense, Inc. v. Becton, Dickinson and Co.*, 374 Fed.Appx. 35 (Fed. Cir. 2010).

Given the estoppel that applies in an *inter partes* reexamination, Requesters also have to be prepared and consider the possible combination of references that should be used in arguing against the claims. Say a given prior art patent is an okay anticipation reference, but it can also be used as a primary reference in an obviousness combination where other references can strengthen the weak spots of the prior art patent when used as a primary reference. The Requester has to figure out in advance what proposed rejections to include in the request, and, if the Requester has a chance to respond after the initial Office Action, what additional proposed rejections might be needed based on the tact the Examiner takes in the Office Action. Failure to present the right combination of arguments in proposed rejections will result in the inability of the Requester to pursue any rejections on appeal that were not originally proposed during the reexamination. As the choices of how to propose rejections is something that a Requester “could have raised” during *inter partes* reexamination, it is without doubt that the Requester is estopped from trying to raise different arguments based on the same references in any litigation.

REEXAMINATION PETITION PRACTICE – THE WILD, WILD WEST FOR EVERYONE

One of the biggest strategic weapons and biggest hazards in reexaminations can be petition practice. While petition practice is a relatively rare occurrence during normal prosecution, there is an increasing need to use petition practice in reexaminations, especially *inter partes* reexaminations.²⁴ While it is not unexpected that parties will resort to the use of more petitions in a contested matter, the increase in petition practice is can also be attributed to the hodgepodge nature of the rules governing this contested matter. Most of the petition rules were promulgated well prior to the adoption of *inter partes* reexamination. As a result, using the current rules for handling matters in contested cases tends to be a round-peg, square-hole problem. This, in turn, forces both Owners and Requesters to use the even more rarely used Section 182 petitions (for matters not addressed by the Rules) and Section 183 petitions (requesting the Director to waive the rules). Familiarity with how these Rules can be used is a must for all parties in an *inter partes* reexamination, even though there is amazingly little guidance on these issues, and even though the Patent Office is continually revising how they handle petitions as there is no form of precedent or *stare decisis* that can be referenced.

One of the biggest uses of petitions are requests for increased page limits and requests for time extensions. Currently, the rules limit responses by Owners and Requesters to 50 pages, and also limit appeal briefs to 30 pages. The initial requests have no limits and it is not atypical to see an initial request that runs into the hundreds of pages. Time limits are generally 1 or 2 months for Owners and 30 days for Requesters. Generally, these requests are handled reasonably and expeditiously, but sometimes the requests are denied with interesting ripple effects throughout the rest of the reexamination.

²⁴ Kenneth M. Schor, *Petition Practice in Patent Reexamination from a USPTO Perspective*, PLI Seminar – Reissue & Reexamination Strategies and Tactics with Concurrent Litigation 2011 (February 4, 2011).

Another evolving use of petitions relates to the introduction of evidence after the initial Office Action. Currently, the Rules are stacked against either party introducing much evidence after the initial Office Action, and especially after an Action Closing Prosecution. Whether the approach taken by the current Rules is helpful or not to the oft-repeated goal of prosecution of reexaminations with “special dispatch” is an open question.

Perhaps most interesting is the current Catch-22 that has been set up by the most recent regulations on appeal briefs in *inter partes* reexaminations. Although the BPAI has authority to review the entire record *de novo* and arrive at a final agency action without deference to the decisions made by the Examining Corp,²⁵ the Rules specify that the Examining Corp retained authority over deciding what evidence can be properly submitted into the record.²⁶ Thus, depending upon the timing and outcome of petitions to the Examining Corp seeking to introduce additional evidence, it is possible for the Examining Corp to effectively withhold evidence from the BPAI, or even reopen a reexamination after a BPAI decision where there is an outstanding evidentiary or procedural petition.

***INTER PARTES* REEXAMINATION SETTLEMENTS**

Unlike interferences where settlements are encouraged and the statutory provisions allow an APJ to review and approve settlements that are then made part of the public record, the only situation in which an *inter partes* reexamination may be terminated is if there is a final judgment in co-pending patent litigation in which the validity of the patent has been upheld. To date, there have been no final adjudicated judgments in patent litigation cases where there has been a co-pending *inter partes* reexamination that was dismissed as a result of the final adjudicated judgment. However, there have been a couple of settlements of patent litigation at district court where the defendant has stipulated to not having proven patent invalidity and a final order consistent with this stipulation has been entered by the court. In one case where this was successfully done, the *inter partes* reexamination was only at a first Office Action stage and the claims had been indicated as allowable.²⁷ In the other case, the *inter partes* reexamination was at a Ready for Appeal Notice (RAN) stage with all of the pending claims standing rejected when a settlement of the litigation was reached and the stipulation was entered upon which the dismissal of the *inter partes* reexamination was ordered.²⁸

Even though the *inter partes* reexaminations were terminated in both of these cases, the ultimate fate of the patents involved appears to have been cast. In the first case, a subsequent reexamination filed by another party results in the cancellation of all of the

²⁵ Ex parte *Frye*, 94 U.S.P.Q.2d 1072 (Bd. Pat. App. & Interf. 2010)

²⁶ 75 Fed. Reg. 50750 (August 17, 2010)

²⁷ See, *Inter Partes* Reexamination Control No. 95/001,164

²⁸ See, *Inter Partes* Reexamination Control No. 95/001,257 (Office of Patent Legal Administration, Decision Granting Petition to Terminate *Inter Partes* Proceeding (February 16, 2011)). It is interesting to note that the Petition decision in this case did not order the issuance of a Reexamination Certificate confirming the patentability of the claims; rather the decision specified only that a notation in the PAIR/PALM system will be made to show: “PROCEEDINGS CONCLUDED.”

claims in the patent at issue.²⁹ In the second case, the RAN clearly lays out a roadmap for any future third party to successfully pursue a reexamination, either *inter partes* or, more likely, *ex parte*.³⁰

THE INTERPLAY OF PARALLEL UNIVERSES

If the strategic considerations for Owners and Requesters in reexamination were not enough of a challenge, the rubber really hits the road when the interplay between reexamination and patent litigation is considered. Most people are well aware of the potential for stays of co-pending patent litigation while a reexamination is completed.³¹ Certainly, the use of an *inter partes* reexamination as a way to stay patent litigation can be an effective way for defendants to buy time at the risk of possibly strengthening the patent at issue. But there are many other ways in which co-pending litigation and reexamination can interact. The charts below lay out some of these issues in terms of how arguments and findings made in one proceeding might impact the other parallel proceeding.

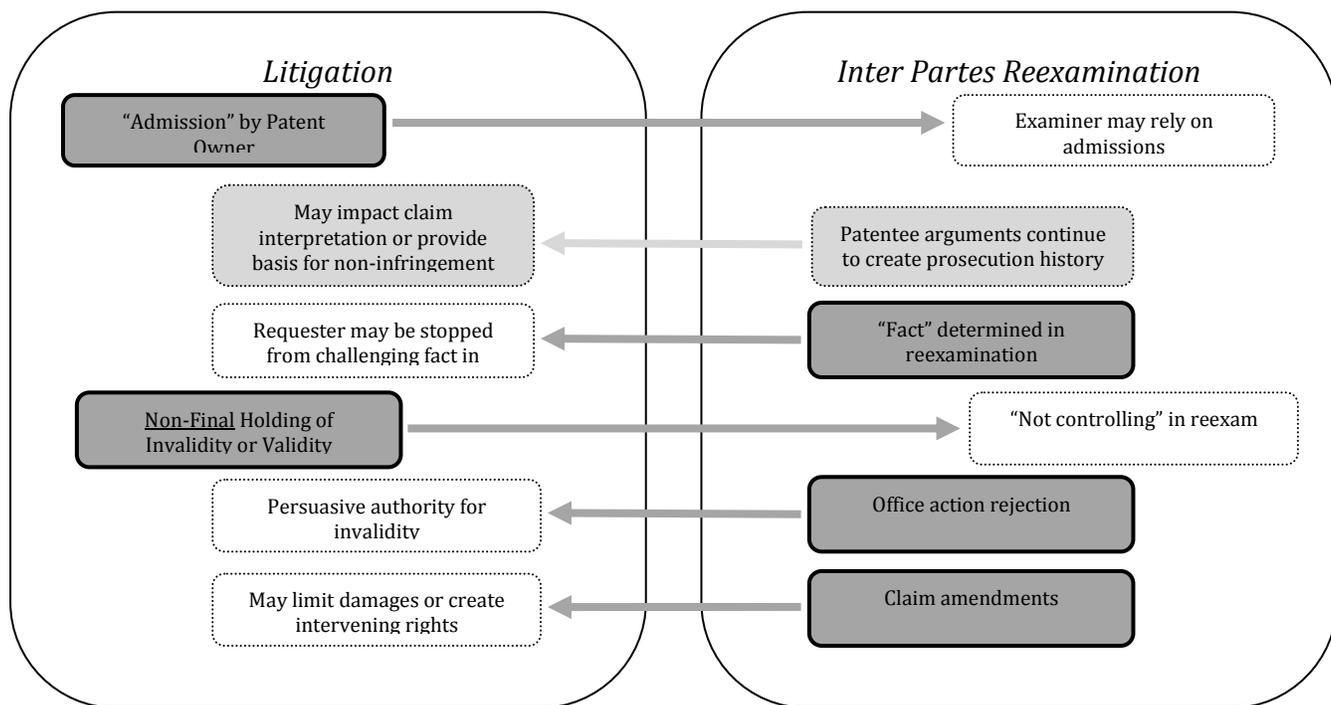


Chart 1 – Interplay of Non-final holdings between IPR and Litigation

²⁹ See, *Inter Partes* Reexamination Control No. 95/001,195

³⁰ See, *Inter Partes* Reexamination Control No. 95/001,195 (Right of Appeal Notice November 5, 2010)

³¹ See e.g. Lawrence A. Stahl et al., *The Changing Attitudes toward Inter Partes Reexamination*, 29 No. 10 IPTLJ 21 (2010); J. Jason Williams et al., *Strategies for Combating Patent Trolls*, 17 J. Intell. Prop. L. 367, 373 (2010).

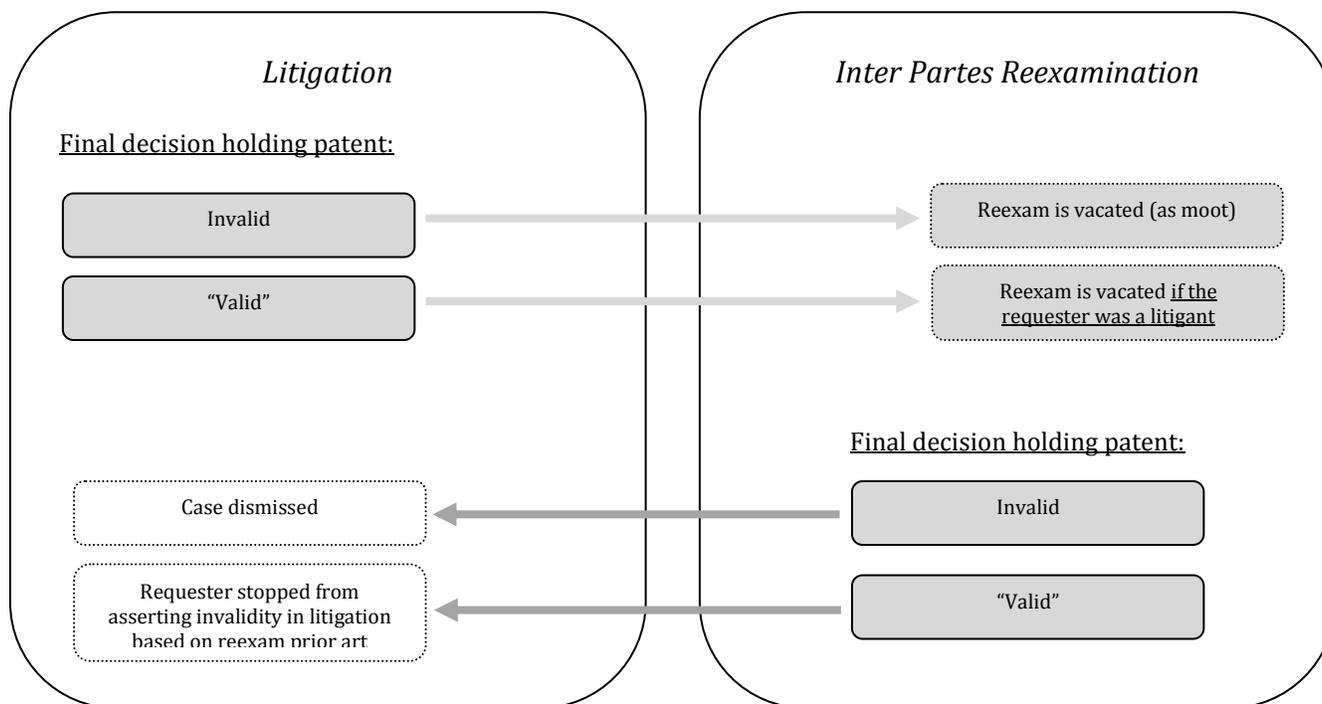


Chart 2 – Interplay of Final holdings between IPR and Litigation

As the recent holding by the Federal Circuit in the *Katz Litigation* cases demonstrates,³² the interplay between these two proceedings can not only have one universe impact proceedings in the other; in some situations, the impact of actions in one universe can be determinative of the outcome of the proceeding in the other universe.

PREEMPTIVE *EX PARTE* REEXAMINATION

Another example of the interplay between the different universes can happen not in parallel, but rather in serial fashion when a reexamination proceeding is used preemptively before litigation. If the current “new technological teaching” standard for determining an SNQ remains in place, we can expect to see more Owners considering the possibility of using *ex parte* reexamination prior to initiating a patent infringement lawsuit as a way to decrease the likelihood that defendants would be able to successfully initiate an *inter partes* reexamination. Given the high costs of patent litigation and the potential multi-year delay caused by a stay due to an *inter partes* reexamination being ordered, spending a smaller amount of time and money to run the patents that will be asserted through an enhanced prior art search and subsequent “prosecution” in an *ex parte* reexamination can

³² *In re Katz*, 2011 WL 607381, *15 (Fed. Cir. 2011)

make sense as a kind of “trial run” before engaging in full fledged patent litigation. There are certainly risks with this kind of preemptive strategy, namely the patent could be wrongly invalidated under the broader claim construction standard used during *ex parte* reexaminations, or the claims could be forced to be narrowed, thereby invoking the doctrine of intervening rights that could reduce or destroy claims for past damages. But if a patent can survive this trial run, the benefit may be worth the risks. The patent will have been twice reviewed by the Patent Office, which is always a positive in the eyes of a jury. Plus, defendants are less likely to find a “new technological teaching” on which to base an SNQ for seeking an *inter partes* reexamination.

INTERFERENCE PITFALLS & POINTERS

COPYING CLAIMS – COMPLYING WITH 135(B)

With the changes in Patent Law in 1999 to publish most applications at 18 months, the interference statute was also changed to expand the obligations on parties seeking to provoke an interference.³³ In addition to the one-year period in which the claims of an issued patent must be copied or presented in a pending application, the requirement of this statute of repose was expanded to also impose a one-year period from the first publication of similar claims as triggering the statutory bar for seeking an interference at the Patent Office. Instead of opening up interferences to identify more co-pending cases where there might be overlapping and patentably indistinct subject matter, this additional requirement may have scared off more interferences than it has encouraged.

While perception may be that the strategic use of interferences is in decline, the reality is that many companies may be missing an opportunity for advanced patent tactics. In those industries where there is close competition and development, it is reasonable to expect that competitors may be developing similar subject matter. Aggressive competitors who monitor the published applications of their competition can undertake a review to see whether that competitor is pursuing subject matter that is similar to subject matter being pursued in the company’s own patent applications or invention disclosures. While this requires an increased level of review and coordination, the ability to trump a competitor’s pending patent application by preserving the option to seek an interference can be used as interesting leverage in situations where competitors often are involved in multi-faceted intellectual property battles.

REQUESTING AN INTERFERENCE– STRATEGIES AND TIPS

Before the Examining Corp will transfer an application to the BPAI for purposes of considering whether to declare an interference, there already were many strategic decisions that needed to be made. The strategic choices for seeking an interference begin the moment that claims are identified as potentially overlapping with the patent or published application of another party.

³³ 35 USC 135(b)(1) (1999)

The first strategic choice is whether to buy time and preserve options or go straight for a quick declaration of an interference. As long as there is a basis for asserting that a claim set in a co-pending application can be relied upon to meet the one-year statutory bar of 35 USC 135(b), claims can be presented in a co-pending application without formally requesting an interference. By selecting this option, it is possible to defer the time until a decision needs to be made on whether to push forward with seeking an interference. On the other hand, if a quick declaration of an interference is desired, it is best to not only “copy” the claims but also file a Rule 202 submission requesting declaration of the interference so as to place the case in condition for being made special. Working with the Examiner and the Interference Practice Specialist (IPS) in the given art unit, together with early and often interviews is the tried and true method of getting an interference through the Examining Corp as quickly as possible. It is yet to be seen whether parties seeking a quick declaration of an interference may opt to use the more expensive fast-track prosecution option that was recently announced.³⁴

The second strategic choice is just how to “copy” the claims. While this may sound simple, it rarely is straightforward. One of the key issues in most interference is whether the party copying the claims has support in their specification for the claimed subject matter. Recent case decisions have highlighted the importance of developing a “copying” strategy that understands and exploits the current requirements in terms of differentiating which specification is used for purposes of evaluating written description support versus which specification is used for purposes of evaluating prior art issues.³⁵ Often, the party seeking to provoke an interference will present a verbatim set of “copied” claims and at least one set of claims written based on the language in that party’s own specification. The possible inclusion of means-plus-function language in the claim sets adds a further layer of complication. Finally, all of the claim sets must have support in each specification clearly mapped out and well understood before the best strategy for provoking an interference can be chosen.

Even when the strategy for presenting a “copied” claim set is selected, there is still an additional strategic question of whether to present these claims by adding them into an existing case, hopefully taking advantage of shorter prosecution times, or presenting them in a newly filed case. While the former approach may seem quicker, the latter approach can have certain tactical advantages if an interference is declared in terms of timing of motion practice in the interference.

When it comes to preparing and submitting the Rule 202 request for interference, there are many other strategic considerations that need to be evaluated. The dominating consideration, however, is often whether the party seeking the interference will be the senior party (the party accorded the earliest filing date), or the junior party (a party with a later filing date who must prove earlier invention by both conception and reduction to

³⁴ 76 Fed. Reg. 6369 (February 4, 2011)

³⁵ See *Koninklijke Philips Electronics N.V. v. Cardiac Science Operating Company*, 590 F.3d 1326 (Fed. Cir. 2010); *Agilent Technologies, Inc. v. Affymetrix, Inc.*, 567 F.3d 1366 (Fed. Cir. 2009).

practice prior to at least the senior party's earliest filing date. Senior parties have a significant advantage, both in terms of procedural matters and also likelihood of ultimately prevailing in the interference.³⁶

THE FUTURE – S.23 – DERIVATION PROCEEDINGS AND INTER PARTES/POST GRANT REVIEWS

If Congress enacts Patent Reform as currently pending in the form of S.23, there will be major changes in the strategies and interplay among the parallel universes of patent litigation and contested matters at the Patent Office. While the final details of the language remain to be worked out, it is certain that if Patent Reform is adopted it will create brand new parallel universes where the fundamental laws/rules of those universes have yet to be discovered. And, at least for some period of overlap, we will continue to have to deal with those cases that are already in the existing universes of *inter partes* reexamination and interference.

CONCLUSION

The best advice and counsel for dealing with the parallel universes of patent litigation, reexaminations and interferences is to “Be prepared,” and to remember that the proper balance between patent litigation and contested matters at the Patent Office must be viewed an engineering solution, not a mathematical solution. There is no single correct answer to any given problem; rather, there will only be approximations, estimates and compromises that reach an expedient and practical resolution applicable to the given situation.

³⁶ 37 C.F.R. §41.207 (2008)