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To Re-Exam Or Not To Re-Exam? That Is The Question

Law360, New York (March 31, 2011) -- Congress established the re-examination process more than 25 years ago to enhance patent quality and as a viable alternative to costly and lengthy federal court litigation. The re-examination process, which gives the U.S. Patent and Trademark Office a chance to assess the validity of issued patent claims in view of new prior art, is especially important today, as the increase in new patents has arguably resulted in a decrease in the quality of some of those patents.

This article provides a brief overview of the re-examination process, a statistical analysis of its use and success rate, and its pros and cons as an alternative to litigating patent validity in federal court.

Initiating a Re-Examination

The re-examination process is relatively straightforward. The requestor files a request for re-examination identifying prior art and the reasons for which he or she believes the patent claims are invalid in view of the prior art. The USPTO has 90 days to decide whether to grant the request depending on whether it meets a substantial new question of patentability threshold.

Such a threshold requires that there be new information that may have escaped review at the time of the initial examination of the application, typically in the form of a patent or printed publication that was not already considered by the USPTO. Even if prior art was previously cited or considered by the USPTO, it may still raise a substantial new question of patentability if it is shown in a new light.

If a re-examination request is granted, the patent owner may file a response setting forth the reasons why he or she believes the cited prior art does not anticipate or render obvious the patent claims. The remainder of the process is very similar to the initial examination of a patent application. The examiner may issue an office action stating which claims are rejected and the reasons for the rejections.

The patent owner is given a chance to respond to each office action by amending the claims, adding new claims or presenting arguments as to why the original claims are patentable over the cited prior art. Unlike initial examination, claims added or amended during re-examination cannot be broader than the previously issued patent claims.

If the claims are acceptable, the USPTO will issue a re-examination certificate identifying the claims that it has confirmed as patentable, the ones canceled as unpatentable, and presenting the full text of any amended claims.

Strategically, when a third party initiates patent re-examination, the goal is to have the USPTO cancel the patent claims at issue or at least force claim amendments to reduce claim scope and avoid infringement. But even if narrowed claims continue to present an infringement risk after re-examination, an accused infringer may benefit greatly from the re-examination under the doctrine of intervening rights. Under this doctrine, if amended claims are not substantially identical to the original claims, the patentee cannot seek damages incurred before the re-examination certificate issued.

Ex Parte and Inter Partes

Re-examination proceedings can either be ex parte or inter partes depending on the filing date of the patent and other factors. Both present different options for the requester. In an ex parte proceeding, a third-party filer may remain anonymous.

That is, the ex parte filer need not identify the real party in interest. But such anonymity comes at a cost. Upon the grant of the re-examination request, the requestor is essentially barred from participating in the dialogue between the USPTO and the patentee. This presents a serious disadvantage to the requestor who is unable to combat the patentee’s assertions, no matter how flawed.[1]

Unlike ex parte re-examination, the third party may actively participate in an inter partes proceeding. The third party may present arguments each time the patent owner responds to an office action, adds new claims, or amends existing ones.

This opportunity to participate in the re-examination gives an inter partes requestor a better chance of persuading the examiner to cancel claims or force narrowing amendments. In inter partes proceedings, however, the third party must be identified as the real party in interest to ensure that multiple re-examinations are not initiated by the same person or entity.

An inter partes requestor may be subject to estoppel. Once a re-examination certificate issues for a particular patent, he or she may be barred from challenging the validity of the same patent in federal court based on the same prior art and perhaps other prior art not cited in the re-examination. So inter partes filers usually have to lay all their cards on the table with respect to the cited prior art and can only play those cards one time.

A Statistical Analysis

The number of re-examination requests being filed every year has steadily risen over the past decade. According to data published by the USPTO, over 1,060 ex parte and inter partes re-examination requests were filed in 2010 whereas only around 300 were filed in 2000.[2]

Although the majority of these requests were ex parte, the number of inter partes requests has also substantially increased in the past seven years, from 27 requests in 2004 to over 280 in 2010. This trend appears to be continuing in 2011 as well, with at least 100 inter partes requests having already been filed in the first quarter.

Undoubtedly, the overall increase in the number of re-examinations suggests that alleged infringers are becoming more aware that re-examination is a viable alternative to litigating patent cases in federal court.

According to the USPTO's statistics, the chances that a patentee will either cancel all claims under re-examination or at least amend the claims have been relatively high. With respect to all ex parte re-examinations, only 23 percent have resulted in confirmation of the original claims. On the other hand, 12 percent of ex parte re-examinations have resulted in cancellation of all claims, and the remaining 65 percent have resulted in at least some amendment to one or more of the claims.

The percentage of inter partes re-examinations in which the USPTO cancelled all of the claims or the patent owner amended the claims is even higher. To date, only 10 percent of inter partes re-examinations have resulted in confirmation of all claims, whereas 47 percent have resulted in all claims being cancelled and 43 percent have resulted in one or more of the claims being amended.

As this data suggests, inter partes and ex parte filers have been very successful in invalidating patent claims that, absent re-examination, may have been asserted against them in federal court.

Re-Examination Versus Litigation

Re-examination may be a good alternative to challenging patent invalidity in federal court for some accused infringers. Today, litigation in federal court frequently costs well over $1 million per year. Defendants accused of patent infringement only prevail around 38 percent of the time in federal court, and their chances of success are much less in some jurisdictions that are more favorable to patent owners. As mentioned, the success rate of re-examinations is much higher, and the cost of re-examination can be much less, especially for ex parte re-examinations.

Re-examination proceedings can sometimes be resolved more quickly than litigation, given that the proceedings do not include time-consuming discovery, motion practice and trials. The USPTO established an internal goal to issue final office actions no later than two years after initial requests for re-examinations are made, and it has been somewhat successful in achieving this goal.

In general, the re-examination process averages around two years for ex parte proceedings and three years for inter partes.[3] Typically, the backlog of re-examination requests at the USPTO for mechanical, chemical and biological patents is much less than the backlog for electrical, software and business method patents.

An alleged patent infringer may wish to initiate patent re-examination for strategic reasons as well. For instance, one way to think of re-examination is as a change of venue from a trial-by-jury to an expert patent examiner. Patent examiners are usually trained in the specific technology at issue and are much more capable of analyzing the prior art than a jury.

Plus, patents are not presumed valid in re-examination proceedings. The third-party filer does not have to provide “clear and convincing” evidence to invalidate the patent like he or she would in federal court. Also, accused infringers may seek a stay of litigation once a re-examination is initiated. District courts can (and often do) stay lawsuits that involve the same patents under re-examination, even if the lawsuits are brought after the re-examinations were initiated.

On the other hand, there are several reasons an alleged infringer may choose not to initiate re-examination. First, he or she can only rely on prior art “patents” and “printed publications” to prove invalidity. The re-examination filer does not have the arsenal of defenses that an alleged infringer typically has in federal court, such as invalidity or unenforceability based on prior use or sale, 35 U.S.C. § 112, inequitable conduct, and patent misuse.

Also, a patent owner may be able to amend and add new claims during re-examination to overcome prior art. In doing so, he or she may try to design the claims to more clearly cover the challenger’s allegedly infringing products. As mentioned, however, the doctrine of intervening rights may preclude the patent owner from recovering past damages in a subsequent litigation if the claims are substantively amended. This can be critical if the patent term is short or the alleged infringer has clear, inexpensive design-around options.

Conclusion

More than 2.5 million patents are currently in force, and the validity of many of those patents based on the prior art is hotly contested. Re-examination allows the USPTO to take a first shot at reviewing the prior art and making the invalidity determination, often in a manner that is less costly and more effective for the alleged infringer than litigation. Because Congress is aware of the increasingly high costs of patent litigation, it is monitoring the re-examination process to make it even more equitable for third-party requestors.

For instance, the current Senate version of the Patent Reform Act of 2011, if passed, would merge inter partes re-examination into a post-grant review process that allows third parties to challenge a patent within nine months of issuance on any invalidity ground, not just patents and printed publications.

Yet, despite the intent of Congress, third parties have not used the re-examination process as frequently as expected. As more familiarize themselves with the process though, it is likely to gain further momentum as a strategic and less costly alternative to litigation.

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[1] Of course, the requestor can follow-up with additional re-examination requests to attempt to address any flaws in a previous re-examination. Experience suggests that the USPTO disfavors such an increase in the re-examination workload, however, and the examiner may respond by confirming the re-examined claims in a first office action.

[2] See USPTO, Ex Parte Re-Examination Filing Data - Dec. 31, 2010, http://www.uspto.gov/patents/stats/EP_quarterly_report_Dec_2010 (last visited Mar. 17, 2011); USPTO, Inter Partes Re-Examination Filing Data, http://www.uspto.gov/patents/stats/IP_quarterly_report_Dec_2010.pdf (last visited Mar. 17, 2011).

[3] See USPTO, Re-examinations – FY 2011, http://www.uspto.gov/patents/stats/Reexamination_operational_statistic_through_FY2011Q1.pdf (last visited Mar. 17, 2011).

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