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Re-Exam Delays Cause Trouble For Patent Owners

By **Erin Coe**

Law360, New York (March 24, 2009) -- With more accused infringers using patent re-examinations as a defense strategy, patent owners are finding that they have to wait too long for a final determination on the validity of their inventions.

The issue of re-exam pendency at the U.S. Patent and Trademark Office is becoming a threat for patent owners involved in parallel litigation. If a district court grants a stay to await the outcome of a re-exam, that move can be enough to end a patent owner's infringement case altogether.

"If a district court judge decides to grant a stay, a patent owner may be destroyed. Some re-exams could take five to 10 years to complete. And there are many who believe justice delayed is justice denied," said Robert Greene Sterne, founding director of Sterne Kessler Goldstein & Fox PLLC.

The patent office has seen a steady increase in both types of re-examinations over the years. The USPTO's Central Re-examination Unit launched 680 ex parte proceedings and 168 inter partes proceedings in fiscal year 2008 compared with 524 ex parte proceedings and 59 inter partes proceedings in fiscal year 2005, according to agency statistics.

An ex parte re-exam is between the patent holder and an examiner, while an inter partes re-exam allows the third party bringing the request to take part and rebut the patent holder's arguments.

The statistics also indicate that the CRU is often re-examining patents-at-issue in either district court or U.S. International Trade Commission litigation. In fiscal year 2008, 62 percent of inter partes re-exams and 30 percent of ex parte re-exams involved patents known to be in litigation, and the question of whether to grant a stay is likely to come up in these cases.

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However, the statistics fail to show how long the agency is really taking to get to a final resolution in a re-exam proceeding, Sterne said.

According to the USPTO's 2008 statistics, ex parte re-exams took an average of 24.9 months and inter partes re-exams took an average of 34.9 months, from the filing date to the certificate issue date. But those numbers do not account for appeals of determinations, according to Sterne.

"The delay is not just at the CRU, but at the Board of Patent Appeals and Interferences. Re-exams are not as fast a process as the USPTO would like us to believe. There are a lot of delays, and sometimes the re-exam is not over until it's decided by the Federal Circuit," said Sterne, who co-authored a white paper on re-exams and has represented both sides in re-exam proceedings.

By taking appeals into consideration, ex parte proceedings can take four to six years, and inter partes proceedings can take five to 10 years, Sterne said.

Based on the agency's statistics, the re-exam process appears to be working in favor of third parties that request a re-exam and against patent owners, according to Rajiv P. Patel, a Fenwick & West LLP partner who represents both patent owners and accused infringers in re-exam proceedings.

"A re-exam arms an accused infringer with a mechanism to hold up costs where stays are granted, while a patent gets re-examined to determine what the appropriate scope of claims should be," Patel said. "If a patent holder is in a position where the validity of its patent is being questioned, that puts [the scope] in uncertain terms. A patent holder has to wait to assert claims and that harms enforceability."

While the ITC tends not to grant stays to await the results of re-exams, district courts are more willing to do so, especially if a stay motion is brought during the early stages of litigation.

The probability of getting a stay granted pending a re-exam is higher at slow courts and courts that do not hear many patent cases, Sterne said.

On the other hand, the U.S. District Court for the Eastern District of Texas, known as a patent rocket docket, rarely grants stays because it is reluctant to hold up a case, and if it does grant a stay, it often does so with the restriction that defendants cannot relitigate what is argued before the USPTO, according to Sterne.

Courts frequently do not appreciate all the factors that come into play through their stay rulings, particularly the time inter partes re-exams can take, he said.

"A lot of district court judges don't understand what is really going on in the re-exam world," Sterne said. "In terms of timing, as more judges understand the practical consequences on the patent owner and accused infringer, I expect fewer stays to be granted unless the USPTO speeds up the process."

But other IP experts argue that attacks on re-exam pendency are overblown and that the

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CRU is starting to show signs of increased productivity.

The agency is keeping pretty close to a timeframe of between 18 to 26 months to make a final determination in re-exam proceedings, even in more complex inter partes cases, said Gregory V. Novak, a managing partner at Novak Druce & Quigg LLP.

"In the last year to 18 months, we've seen an increase in speed out of the office in handling re-exam requests and getting initial and final office actions," said Novak, who represents both sides in re-exam proceedings.

If pendency ceases to become such a problem, accused infringers may not find it so easy to use the threat of a re-exam to force a settlement, but many patent owners are still settling in order to keep a re-exam from being filed, according to Novak.

"If parties believed re-exams weren't getting results or pendency was so long and terrible that courts wouldn't look at stays with favor, then I think re-exams wouldn't be an effective settlement tool," he said. "If patent holders did not have fear that the patent office would take the re-exam and act diligently, then why would they settle a case?"

Also, if the CRU hands down an early determination of rejected claims in a re-exam, patent owners are often more willing to settle prior to trial or a final office action, Novak noted.

The patent office draws the most criticism for re-exam pendency, however many critics fail to realize that patent owners are taking their own steps to drag out the re-exam system, Novak said.

"Patent owners are taking every effort possible to slow the office down and filing challenges at every turn," he said. "If they do not like an outcome, many patent owners' counsel will do everything they can to derail the office, bog it down in paperwork and increase pendency."

Because many patent owners are finding themselves on the defensive once a re-exam has been requested by a third party, some are trying to take proactive measures by requesting an ex parte re-exam on their own patent, according to Patel.

"Some patent owners are taking it upon themselves to have the patent office look at their patent again," he said. "By controlling the re-exam request, they could come out with patent claims that are substantially the same and with a patent that is substantially strengthened."

If the USPTO truly wants to make the re-exam process better, faster and cheaper than the district courts, the agency will need to make fundamental decisions about matters that have not yet been faced, Sterne said.

"The USPTO needs to figure out how to run the show. The PTO, CRU and BPAI have to sit down with process experts and devise rules within existing laws — or the laws may need to be changed," he said.

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If the re-exam process continues to be drawn out and district courts continue to grant stays, it is only a matter of time before the Federal Circuit gets involved, Sterne said.

"The Federal Circuit has not yet been hit with re-exam-related cases, but they are coming," he said.

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