

## Major Change, New Chapter: How Inter Partes Review and Post Grant Review Proceedings Created By the America Invents Act Will Shape Litigation Strategies

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Your client receives a demand letter from his competitor on September 17, 2012. The letter alleges that the client infringes the competitor's patent and threatens litigation unless royalties are paid. The client asks you to review the patent, evaluate the accused product, and to assess the available options. You advise the client that he has a decent case of non-infringement and invalidity of the opponent's patent. You also suggest a non-exhaustive list of available options, including: reaching a licensing agreement with the competitor to avoid litigation, ignoring the demand letter and doing nothing, putting their patent into reexamination, or filing a declaratory judgment action for non-infringement and invalidity. Your client is an aggressive businessman and has many employees locally. He decides to file a declaratory judgment action first against the competitor in order to obtain "home field" advantage. Also, he does not want the uncertainty of litigation to cast a shadow on his business.

After some discovery takes place, you find very compelling published documents and patents that would likely render the patent claims in question obvious or not novel. Furthermore, the district court where this action will be filed is very friendly to grant a stay pending a reexamination decision. The stay is useful in deferring the costs of the litigation. Moreover, the reexamination process has added benefits. First, it will cost your client less if the patent claims are invalidated at the Patent and Trademark Office.<sup>1</sup> Second, the Patent and Trademark Office give the claims their broadest meaning.<sup>2</sup> Finally, there is no presumption of validity during a reexamination proceeding as compared to such presumption in a district court.<sup>3</sup>

After discussing the situation with your client, you conclude that he is highly likely to win an Inter Partes Review and such review is the most

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1. See discussion *infra* Part II.
2. *Id.*
3. *Id.*

cost effective option to resolve the dispute. But wait! It is post September 16, 2012 and Inter Partes Review is not available to one who has filed a civil action challenging the validity of a patent claim.<sup>4</sup> Besides, it has been over a year since the action was filed —another reason why an Inter Partes Review cannot be initiated. Although initiating an Ex Parte reexamination is still available, statistics show that an Inter Partes Review is much more likely to cancel or modify the claims.<sup>5</sup> As a result, you have just lost an important litigation strategy for your client.

Now consider how the above hypothetical would come into play in the following cases, if those actions were filed after September 16, 2012. One case is *Largan Precision Co. Ltd. v. Fujifilm Corporation*, where the plaintiff filed a declaratory judgment action and then initiated an Inter Partes Reexamination.<sup>6</sup> Another case is *Google Inc. v. Netlist, Inc.*, where Google filed for a declaratory judgment action for non-infringement and invalidity.<sup>7</sup> Google subsequently filed an Inter Partes Reexamination nearly two years after filing the complaint, and even obtained a stay pending the reexamination.<sup>8</sup> These cases would need to employ a different litigation strategy if they were litigated under the new reexamination regime introduced by the Leahy-Smith America Invents Act (“America Invents Act”).

### I. THE AMERICA INVENTS ACT’S REEXAMINATION PROCEEDINGS WILL AFFECT THE AMOUNT OF TIME AND MONEY SPENT, AND HOW THE CLIENT DEFINES A WIN

What is so important about the changes to the reexamination proceedings in the American Invents Act? It’s about cost, time, and winning the high stakes game of patent litigation. Clients’ goals will remain the same but the law is changing. A new path to the clients’ desires will emerge. For a patent litigator, mastering the new America Invents Act is the key to staying on that path, while providing the best results for the client.

Substantial changes to the patent system’s reexamination proceedings

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4. Leahy-Smith America Invents Act, Pub. L. No. 112–29, sec. 6, § 315, 125 Stat. 284, 300–01 (2011).

5. See *Inter Partes Reexamination Filing Data*, U.S. PAT. & TRADEMARK OFF. (Sept. 30, 2011), [http://www.uspto.gov/patents/IP\\_quarterly\\_report\\_September\\_2011.pdf](http://www.uspto.gov/patents/IP_quarterly_report_September_2011.pdf) [hereinafter *Reexamination Filing Data*].

6. *Largan Precision Co. v. Fujifilm Corp.*, No. C 10-1318 SBA, 2011 WL 794983, at \*1 (N.D. Cal. Mar. 1, 2011).

7. Complaint for Declaratory Relief, *Google Inc. v. Netlist, Inc.*, No. C 08-4144, 2008 WL 5736621 (N.D. Cal. Aug. 29, 2008); Order Granting Plaintiff’s Unopposed Motion to Stay Pending Reexamination, *Google Inc.*, No. C 08-4144 (N.D. Cal. Sept. 18, 2010) (Justia.com).

8. Complaint for Declaratory Relief, *Google, Inc.*, 2008 WL 5736621; Order Granting Plaintiff’s Unopposed Motion to Stay Pending Reexamination, *Google, Inc.* (Justia.com) (Initially Netlist opposed a stay to the proceedings, but eventually stipulated to the stay. This option would not have been available with the new America Invents Act reexamination proceedings.).

include replacing the Inter Partes Reexamination with Inter Partes Review, and creating an entirely new proceeding called Post Grant Review.<sup>9</sup> Being unaware of these changes could cost a patent litigator's client a substantial amount of money, time, and the upper hand in winning the high stakes litigation. In some cases, it could even cost a client the validity of their patent claims.<sup>10</sup>

#### **A. PATENT LITIGATION CAN BE SUBSTANTIALLY EXPENSIVE**

Patent litigation is expensive. The median cost of patent litigation, where less than one million US dollars is at stake, is six hundred and fifty thousand US dollars.<sup>11</sup> When one million dollars to twenty-five million dollars is at stake, the median cost is two and a half million dollars.<sup>12</sup> When more than twenty-five million dollars is at stake, the median cost is five million dollars.<sup>13</sup> In comparison, median costs for Inter Partes Reexamination proceedings include: thirty-five thousand dollars to prepare and file, one hundred thousand dollars through an appeal to the Board of Patent Appeal and Interferences, and two hundred thousand dollars through an appeal to a Federal Circuit.<sup>14</sup> The difference in cost between the full-blown patent litigation process and the most expensive Inter Partes Reexamination proceeding is huge. Initiating a reexamination proceeding may be the best route to take for a client who is an accused infringer. A careful scrutiny of the changes to the law governing the reexamination proceedings is highly desired to best meet the client's pre-litigation and litigation cost goals.

#### **B. A CLIENT'S TIME IS AS IMPORTANT AS HIS MONEY**

A client's time is closely related to his money in the business world. The client may consider the amount of time put into patent litigation as a practical business decision. The average time it takes a patent infringement case to go to trial sits at two and a half years.<sup>15</sup> This two and a half year average has been generally consistent the past ten years.<sup>16</sup> Currently, the average time it takes from filing an Inter Partes Reexamination to the

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9. Leahy-Smith America Invents Act, sec. 6, 125 Stat. at 299–313.

10. See discussion *infra* Part II.A–B for descriptions of the fee structure and advantages of the Inter Partes Reexamination procedure.

11. STEVEN M. AUVIL & DAVID A. DIVINE, AIPLA REPORT OF THE ECONOMIC SURVEY 35 (2011) (using the median, rather than the mean (average), amounts; the average amounts are significantly higher for each category).

12. *Id.*

13. *Id.*

14. *Id.* at 36.

15. PRICEWATERHOUSECOOPERS LLP, 2011 PATENT LITIGATION STUDY: PATENT LITIGATION TRENDS AS THE "AMERICA INVENTS ACT" BECOMES LAW 27 (2011), available at <http://www.pwc.com/us/en/forensic-services/publications/assets/2011-patent-litigation-study.pdf>.

16. *Id.*

issuance of a certificate (one end point for this procedure) is 36.2 months.<sup>17</sup> The average time it takes an Ex Parte Reexamination from filing to issuance of a certificate is 25.6 months.<sup>18</sup> Some have even crunched these numbers and estimated that the average time for an Inter Partes Reexamination, after it is taken through a full appellate review, to be six and a half years.<sup>19</sup>

The client may also have specific goals as to how they want their time deployed throughout a patent litigation. Some may want to end the litigation as fast as possible. Others may want to keep the costs down while spreading out over a long period of time. The new reexamination proceedings will affect the time required for patent litigation,<sup>20</sup> and the impact the client's business decision.

### C. WINNING THE HIGH STAKES GAME OF PATENT LITIGATION

The ultimate goal of any patent litigation is to win, plain and simple. More importantly, the client must define what a win is. Depending on the client, a win may be deferring the costs, obtaining a settlement,<sup>21</sup> receiving a declaratory judgment ruling for non-infringement,<sup>22</sup> taking a case to trial and obtaining damages, or invalidating the claims of a patent to avoid an infringement allegation. A patent litigator needs to inform the client of the possible strategies, odds of success, and potential outcomes. The client can then rely on the information to make a business decision on what a win is.<sup>23</sup> No matter how the client defines a win, when a patent is involved, the stakes are high.<sup>24</sup>

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17. *Reexamination Filing Data*, *supra* note 5.

18. *Id.*

19. RALPH ECKARDT & MARK BLAXILL, INST. FOR PROGRESS, REEXAMINING INTER PARTES REEXAM (2008), available at <http://www.iam-magazine.com/blog/IAMBlogInterPartesReexamWhitepaper.pdf>. For a discussion of the paper's contents and an estimated publication date see Joff Wild, *Re-exam report authors come out of shadows to provide more information*, INTELLECTUAL ASSET MANAGEMENT BLOG (May 23, 2008), <http://www.iam-magazine.com/blog/detail.aspx?g=e04e7cee-72e2-445d-aa7d-f310>.

20. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6, § 316(a)(11), 125 Stat. 284, 302 (2011) (requiring a final determination to be issued no later than one year after the date on which the review is instituted); Leahy-Smith America Invents Act, sec. 6, § 326(b), 125 Stat. at 309 (requiring the Director of the USPTO to consider timeliness in promulgating regulations related to post grant review).

21. See Brian Womack, *Yahoo, Facebook Settle Patent Dispute*, BLOOMBERG.COM (Jul. 6, 2012), <http://www.bloomberg.com/news/2012-07-06/yahoo-facebook-settle-patent-dispute.html>.

22. See generally Christopher Kinkade, *Medidata Seeks Declaratory Judgment of Noninfringement and Invalidity of DATATRAK Patent*, NEW JERSEY AND NEW YORK INTELLECTUAL PROPERTY LITIGATION BLOG (Aug. 01, 2012), <http://njnyintellectualproperty.foxrothschild.com/patent-infringement/medidata-seeks-declaratory-judgment-of-noninfringement-and-invalidity-of-datatrak-patent/>.

23. See Womack, *supra* note 21. Facebook stated that it resolved the dispute with Yahoo in a "positive" manner. *Id.* Both companies weighed the risks and decided that a settlement was a win. *Id.*

24. Joel Rosenblatt, *Apple's \$1 Billion Verdict May Lead To Samsung Sales Ban*, BLOOMBERG.COM (Aug. 25, 2012), <http://www.bloomberg.com/news/2012-08-25/apple-s-1->

The definition of rights conferred by a patent can be helpful in understanding why the stakes can be so high. A patent confers the “right to exclude others from making, using, offering for sale, or selling the invention through the United States or importing the invention throughout the United States . . .”<sup>25</sup> This right to exclude can be very powerful.<sup>26</sup> It is a government-sanctioned monopoly, a sword useful for obtaining injunctions and gaining damages, or a shield that can deter those who would assert their own patent infringement claims. The accused infringer, however, is not fighting without his own sword and shield in this battle—the patent reexamination proceedings provide these parties with ample armaments.

A reexamination proceeding has become a favored tool to supplement litigation.<sup>27</sup> Such proceedings can be used offensively to find patent claims invalid before any litigation has occurred, and can be used defensively to delay litigation. As of September 30, 2011, 70% of pending Inter Partes Reexaminations and 33% of pending Ex Parte Reexamination proceedings are known to be in litigation.<sup>28</sup> Since the implementation of Inter Partes Review in 1999, 44% of reexaminations Inter Partes certificates have issued with the cancellation of all claims (or disclaimed), issued with claim changes 45% of the time, and issued with all claims confirmed only 11% of the time.<sup>29</sup> These performance statistics of Inter Parte Reexamination, contrasted by the cost of reexamination and civil litigation, make it clear that reexamination must be considered as a strategy to increase the chances of satisfying a client’s objectives.

The client can also rely on that hard data to make a business decision that defines the outcome he/she is looking for. On average an Inter Partes Reexamination cancels or modifies 89% of the claims<sup>30</sup> and the average cost of the process on the high end is two hundred thousand dollars.<sup>31</sup> This is in contrast to the myriad of uncertain costs and risks associated with litigation: the long odds of litigation making it to trial, the uncertainty of damage awards, the variable costs associated with discovery and the trial process, the likelihood the jury will find infringement, and the chance that the patent may be invalidated at trial. Inter Partes Reexamination provides the certainty and hard numbers that a client can’t easily find by considering only traditional litigious actions. These hard numbers have strongly assisted, and will continue to assist, clients in assessing their risk going

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billion-verdict-may-lead-to-samsung-sales-ban.html. This verdict and possible injunction illustrate just how high the stakes can rise. *Id.*

25. 35 U.S.C. § 154(a)(1) (2012).

26. Rosenblatt, *supra* note 24; *Reexamination Filing Data*, *supra* note 5.

27. David M. O’Dell & David L. McCombs, *The Use of Inter Partes and Ex Parte Reexamination in Patent Litigation* (Feb. 8, 2006), available at <http://www.immagic.com/eLibrary/ARCHIVES/GENERAL/GENREF/H060208O.pdf> (a practitioner stating that “patent reexamination can be used effectively as part of a defendant’s litigation strategy”).

28. *See generally Reexamination Filing Data*, *supra* note 5.

29. *Id.*

30. *Id.*

31. *See generally* AUVIL & DIVINE, *supra* note 11, at 35.

forward and how they chose to define a win.

## II. REEXAMINATION PROCEEDINGS ARE CHANGING AND LITIGATORS NEED TO KNOW HOW

Reexamination is a procedure that allows the Patent and Trademark Office to reconsider the validity of an existing patent. Congress created the reexamination proceedings to shift some of the burden of patent litigation to the Patent and Trademark Office.<sup>32</sup> Originally created as a proceeding in lieu of litigation, it is now commonly used to supplement litigation for its tactical advantages.

Reexamination proceedings have several tactical advantages. First, the United States Patent and Trademark Office (“USPTO”) gives the claims their broadest reasonable interpretation,<sup>33</sup> whereas a district court will narrowly define the boundaries of the claims during the Markman hearing.<sup>34</sup> The USPTO’s broad interpretation may find claims that would have been upheld in a District Court, as obvious during the reexamination proceeding.<sup>35</sup> Second, the USPTO’s reexamination proceedings have a lower standard of proof than that in a District Court. The USPTO does not give a patent a presumption of validity<sup>36</sup> and instead uses a preponderance of the evidence standard.<sup>37</sup> Finally, the reexamination proceedings also can delay a finding of infringement and settle potential litigation at a significantly lower cost.

The purpose of the new Post Grant Review and Inter Partes Review proceedings established by the Leahy-Smith American Invents Act is to provide a cost-effective alternative to litigation when challenging a patent’s validity.<sup>38</sup> The Ex Parte Reexamination proceeding and the expiring Inter Partes Reexamination served a similar purpose. Congress made some significant changes to maintain the viability of a lower-cost alternative to litigation, including substantially increasing filing fees<sup>39</sup> to meet the increased costs of providing a robust review process, replacing Inter Partes

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32. *Canady v. Erbe Elektromedizin GmbH*, 271 F. Supp. 2d 64, 78 (D.D.C. 2002).

33. UNITED STATES PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2111 (8th ed. Rev. 9, Aug. 2012) [hereinafter MPEP], *see also* *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (recognizing that the USPTO employs the broadest reasonable interpretation standard).

34. *See* *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). The court held that the judge and not the jury decides claim interpretation. *Id.* This holding has led to a pre-trial hearing for claim interpretation called the Markman hearing. *See id.*

35. Paul R. Steadman et al., *Post-issuance patent review*, INTELLECTUAL PROPERTY MAGAZINE, Nov. 2011, at 99.

36. MPEP, *supra* note 33, § 1445.

37. *Id.* at § 706.I.

38. Hung H. Bui, *An Overview of Patent Reform Act of 2011: Navigating the Leahy-Smith America Invent Act Including Effective Dates for Patent Reform*, 93 J. PAT. & TRADEMARK OFF. SOC’Y 441, 461 (2012).

39. Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith American Invents Act and to Revise Reexamination Fees, 77 Fed. Reg. 3666 (Jan. 25, 2012).

Reexamination with Inter Partes Review,<sup>40</sup> not touching Ex Parte Reexamination, creating Post Grant Review,<sup>41</sup> strengthening estoppel provisions, and creating the Patent Trial and Appeal Board.<sup>42</sup> Generally, reexamination proceedings saved clients time and money, and with the changes presented by Congress they should continue to do so.

#### **A. THE FEES TO FILE A REEXAMINATION ARE SKYROCKETING**

Filing fees for Inter Partes Review, Ex Parte Reexamination and Post Grant Review are changing. The filing fee for an Inter Partes Review has a base of \$27,200 for the first twenty claims, with each addition claim costing \$600.<sup>43</sup> In contrast Inter Partes Reexamination cost \$8800 to file.<sup>44</sup> The Post Grant Review proposed filing fee has a base of \$35,800 with each addition claim costing \$800.<sup>45</sup> Though the Ex Parte Reexamination has largely been left untouched by the new America Invents Act, one significant change is a filing fee increase from \$2,520 to \$17,750.<sup>46</sup>

The Patent and Trademark Office published the statistics on the composition of submitted comments on the proposed fee changes before the final rules were released. An eye catching 83% of the comments on fee increases were from individuals.<sup>47</sup> This number is in stark contrast to the percentage of individuals who submitted comments on the board's proposed rulemaking—28%.<sup>48</sup> An individual's comments submitted to the United States Patent and Trademark Office claim that the proposed fee increases will do "irreparable harm"<sup>49</sup> and "stif[le] small Entrepreneurs."<sup>50</sup> The writing, however, is on the wall, and fees are going to increase. These increased fees will contribute to a client's decision when choosing between

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40. Leahy-Smith America Invents Act, Pub. L. No. 112–29, sec. 6, § 319, 125 Stat. 284, 305 (2011).

41. Leahy-Smith America Invents Act, sec. 6, § 321, 125 Stat. at 306.

42. Leahy-Smith America Invents Act, sec. 6, § 311, 125 Stat. at 290.

43. Trial and Practice Before the Patent Trial and Appeal Board, 77 Fed. Reg. 48669, 48672 (Aug. 14, 2012).

44. *Table of Patent Fee Changes*, U.S. PAT. & TRADEMARK OFF. (Feb. 7, 2012), [http://www.uspto.gov/aia\\_implementation/fee\\_setting\\_-\\_ppac\\_hearing\\_attachment\\_1-table\\_of\\_patent\\_fee\\_changes\\_7feb12.pdf](http://www.uspto.gov/aia_implementation/fee_setting_-_ppac_hearing_attachment_1-table_of_patent_fee_changes_7feb12.pdf) [hereinafter *Table of Patent Fee Changes*].

45. Instituting Inter Partes Review, 77 Fed. Reg. 7060, 7070 (Feb. 10, 2012).

46. Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith American Invents Act and to Revise Reexamination Fees, 77 Fed. Reg. 3666 (Jan 25, 2012); see also Rules of Practice in Patent Cases, 77 Fed. Reg. 48851 (Aug. 14, 2012).

47. Michelle Picard, *Progress Report on Fee Setting Under the AIA*, AIA BLOG (Apr. 23, 2012), [http://www.uspto.gov/blog/aia/entry/progress\\_report\\_on\\_fee\\_setting](http://www.uspto.gov/blog/aia/entry/progress_report_on_fee_setting).

48. Janet Gongola, *Analysis of Comments Filed in Response to Patent Related and Administrative Trial Notices of Proposed Rulemaking*, AIA BLOG (Apr. 23, 2012), [http://www.uspto.gov/blog/aia/entry/analysis\\_of\\_comments\\_filed\\_in](http://www.uspto.gov/blog/aia/entry/analysis_of_comments_filed_in).

49. E-mail from Greg Harrison in response to specific requests by the USPTO, U.S. PAT. & TRADEMARK OFF. (Jan. 31, 2012), available at [http://www.uspto.gov/patents/law/comments/sup\\_exam/xs\\_f-harrison\\_20120131.pdf](http://www.uspto.gov/patents/law/comments/sup_exam/xs_f-harrison_20120131.pdf).

50. E-mail from Greg Minadeo in response to specific requests by the USPTO, U.S. PAT. & TRADEMARK OFF. (Jan. 26, 2012), available at [http://www.uspto.gov/patents/law/comments/sup\\_exam/xs\\_f-minadeo\\_20120126.pdf](http://www.uspto.gov/patents/law/comments/sup_exam/xs_f-minadeo_20120126.pdf).

inaction, initiating a reexamination proceeding, and litigation.

### **B. INTER PARTES REEXAMINATION GETS OVERHAULED AND EMERGES AS INTER PARTES REVIEW**

Inter Partes Reexamination was established as part of the American Inventor's Protection Act of 1999.<sup>51</sup> Inter Partes Reexamination no longer exists as of September 16, 2012 and has been replaced by Inter Partes Review.<sup>52</sup> Inter Partes Reexamination and Inter Partes Review differ from Ex Parte Reexamination. Inter Partes Reexamination and Inter Partes Review allow anyone other than the patent holder to file a request for reexamination and allow the petitioner to participate throughout the proceeding.<sup>53</sup> Furthermore, Inter Partes Review will apply to any patents issued after, on, or before September 16, 2012,<sup>54</sup> while Inter Partes Reexamination only applies to patents filed on or after November 29, 1999.<sup>55</sup> Patents filed before November 1999 that were not subject to Inter Partes Reexamination, will now be subject to Inter Partes Review. This has the practical effect of subjecting more patents to the Inter Partes Review and Inter Partes Reexamination processes.

The new Inter Partes Review proceeding will still only allow challenges that could have been raised under § 102 (novelty) and § 103 (nonobviousness) based on patents or printed publications.<sup>56</sup> The threshold requirement of showing "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition" for granting the reexamination will remain the same.<sup>57</sup> Furthermore, Inter Partes Review will be faster than the previous Inter Partes Reexamination. The American Invents Act has mandated that a final determination by the Patent Trial and Appeal Board must be issued within 1 year.<sup>58</sup>

Other significant differences include strengthened estoppel provisions in Inter Partes Review,<sup>59</sup> a bar on initiating Inter Partes Review after filing a civil action challenging the validity of a claim of a patent, such as a

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51. The American Inventor's Protection Act, Pub. L. No. 106-113, § 331, 113 Stat. 1501, 1501A-567 (1999); *see also* O'Dell & McCombs, *supra* note 27.

52. *Inter Partes Disputes, Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., [http://www.uspto.gov/aia\\_implementation/bpai.jsp](http://www.uspto.gov/aia_implementation/bpai.jsp) (last visited Apr. 22, 2012).

53. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6, §§ 311-315, 125 Stat. 284, 299-302 (2011).

54. *Id.*

55. 37 C.F.R. § 1.913 (2010).

56. Leahy-Smith America Invents Act, sec. 6, § 311, 125 Stat. at 299; Eugene T. Perez, *Reexamination, Reissue, Certificate of Correction and New American Invents Act Proceedings: Substantive and Strategic Overview*, 1078 PLI/PAT 33, 66 (2012).

57. Leahy-Smith America Invents Act, sec. 6, § 311, 125 Stat. at 300.

58. Leahy-Smith America Invents Act, sec. 6, § 316, 125 Stat. at 302. The one year time period does not include the six months the Patent Trial and Appeals Board has to decide whether to initiate the reexamination. *Id.*

59. *See* Leahy-Smith America Invents Act, sec. 6, § 311, 125 Stat. at 314.

declaratory judgment action,<sup>60</sup> and a bar from initiating an Inter Partes Review if more than one year has passed after the petitioner is served with a complaint alleging infringement.<sup>61</sup>

### C. EX PARTE REEXAMINATION IS STILL AN OPTION

Ex Parte Reexamination was created as part of the Patent Act of 1980.<sup>62</sup> This proceeding has been largely left untouched by the new America Invents Act with a couple exceptions. First, the America Invents Act clarifies that an appeal from the Board of Patent Appeals can only be brought to the Court of Appeal of the Federal Circuit.<sup>63</sup> Second, the fee for filing an Ex Parte Reexamination proceeding will be raised over 600% from \$2,520 to \$17,760.<sup>64</sup> Such a raise in fees seems counterintuitive to the goals of reexamination proceedings.<sup>65</sup>

One of the goals of the USPTO with the American Invents Act is to provide a cost effective alternative to litigation.<sup>66</sup> If one adds up the new proposed fees, the search costs and attorney's fees, the previously-cheap Ex Parte Reexamination process starts to become out of reach for some clients with limited legal funds. Clients who historically could only afford to initiate an Ex-Parte proceeding may have to, instead, cross their fingers and hope not to get sued. A comment submitted by an individual on the United States Patent and Trademark Office website summarized the situation well by stating that "[r]aising the fee for ex parte reexamination requests will likely preclude many from using the process."<sup>67</sup>

Nonetheless, it is still likely that volume of filings for Ex Parte Proceedings will remain the same or increase during the first few years after the new proceeding are implemented. Lawyers and clients have had over 30 years to work with Ex Parte Reexaminations, so that amount of experience conveys a sense of comfort with the old process. After all, the new proceedings lack any history as to their effectiveness, speed, and outcomes—a consideration that clients will need to weigh in making the decision as to which reexamination proceeding to file, if any.

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60. Leahy-Smith America Invents Act, sec. 6, § 315, 125 Stat. at 300–01.

61. Leahy-Smith America Invents Act, sec. 6, § 315, 125 Stat. at 301.

62. Pub. L. No. 96–517, 94 Stat. 3016, § 1 (1980).

63. Scott A. McKeown & Philippe J.C. Signore, *The Enactment of the America Invents Act Brings a Variety of Post Grant Options to U.S. Patent Law* (Nov. 10, 2011), available at [http://www.martindale.com/administrative-law/article\\_Oblon-Spivak-McClelland-Maier-Neustadt\\_1371718.htm](http://www.martindale.com/administrative-law/article_Oblon-Spivak-McClelland-Maier-Neustadt_1371718.htm).

64. *Table of Patent Fee Changes*, *supra* note 44.

65. Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48680 (Aug. 14, 2012).

66. *Id.*

67. E-mail from John Mitchell to the USPTO commenting on the proposal to change ex parte reexamination request fees, U.S. PAT. & TRADEMARK OFF. (Feb. 13, 2012), available at [http://www.uspto.gov/patents/law/comments/sup\\_exam/xs\\_fmitchell\\_20120213.pdf](http://www.uspto.gov/patents/law/comments/sup_exam/xs_fmitchell_20120213.pdf) [hereinafter Mitchell].

#### D. THE BRAND NEW POST GRANT REVIEW IS HERE

Post Grant Review is an entirely new reexamination process. A Post Grant Review must be filed within 9 months after a patent is issued.<sup>68</sup> The patent must be filed under the first to file system (after March 16, 2013), unless it is a business method patent. The scope of the Post Grant Review is much broader than that of Inter Partes Reexamination, Inter Partes Review, or Ex Parte Reexamination. A petitioner may request to cancel one or more claims on any grounds relating to invalidity under § 101, § 102, § 103, and § 112 (except for best mode).<sup>69</sup> This is different than the Inter Partes Review, which will only allow for challenges under § 102 (novelty) and § 103 (obviousness).<sup>70</sup> The standard for granting a Post Grant Review is also higher.<sup>71</sup> The petitioner must demonstrate that it is “more likely than not at least one of the claims challenged is unpatentable.”<sup>72</sup>

Post Grant Review will also be able to incur broader discovery than previous reexamination proceedings. First, Post Grant Review will allow the discovery of evidence that is “directly related to the factual assertions advanced by either party in the proceeding.”<sup>73</sup> Second, the USPTO has proposed to have two types of discovery for Post Grant Review—routine discovery and additional discovery.<sup>74</sup> Finally, a party seeking discovery will have to meet a “good cause” standard which has a lower burden than the “interest of justice” standard for Inter Partes Review.<sup>75</sup> As for the cost, the Post Grant Review process, together with its enlarged discovery scope, has been estimated to incur about the same cost as an interference proceeding<sup>76</sup>—a cost of \$175,000 through the preliminary motion and \$338,000 through its completion.<sup>77</sup>

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68. Leahy-Smith America Invents Act, Pub. L. No. 112–29, sec. 6, § 321, 125 Stat. 284, 306 (2011).

69. *Post Grant Review*, U.S. PAT. & TRADEMARK OFF., [http://www.uspto.gov/aia\\_implementation/faq.jsp#heading-8](http://www.uspto.gov/aia_implementation/faq.jsp#heading-8) (last visited Apr. 22, 2012).

70. Leahy-Smith America Invents Act, sec. 6, § 311, 125 Stat. at 299.

71. *Message from Chief Judge James Donald Smith, Board of Appeals and Interferences: USPTO Discusses Key Aspects of New Administrative Patent Trials*, U.S. PAT. & TRADEMARK OFF. [http://www.uspto.gov/aia\\_implementation/smith-blog-extravaganza.jsp](http://www.uspto.gov/aia_implementation/smith-blog-extravaganza.jsp) (last visited Apr. 22, 2012).

72. *Id.*

73. Leahy-Smith America Invents Act, sec. 6, § 326, 125 Stat. at 308.

74. Petition and Motion Practice, 77 Fed. Reg. 48761 (Aug. 14, 2012) (“Routine discovery includes (1) Production of any exhibit cited in a paper or testimony; (2) the cross-examination of the other sides declarants; and (3) relevant information that is inconsistent with a position advanced during the proceeding.” Additional discovery types are available under the FRCP).

75. *Id.*

76. See Kevin B. Laurence & Mathew C. Phillips, *Post Grant Review Proceedings Compared with EPO Oppositions*, INTELLECTUAL PROPERTY TODAY, Dec. 2011, available at <http://www.iptoday.com/issues/2011/12/post-grant-review-proceedings-compared-with-epo-oppositions.asp>.

77. See generally AUVIL & DIVINE, *supra* note 11, at 36 (the amount cited is the median, rather than mean (average), amount; the average amount is significantly higher for each category).

This new Post Grant Review Proceeding seems to be a “mini trial.” It is quite different from an Ex Parte Proceeding with its broadened discovery process, and its expanded grounds for finding invalidity. Although it is not a full-blown trial, the Post Grant Review proceeding is somewhere in between the outgoing Ex Parte Proceeding and a full review by a Federal District Court. The enlarged discovery scope and broader ground for invalidity are also likely to add to the cost of a Post Grant Proceeding. On average it will be more expensive than any of the reexamination proceedings before, however it will still be cheaper than taking a patent infringement case to trial.

#### E. ESTOPPEL HAS HIT THE GYM<sup>78</sup>

With the new reexamination proceedings comes strengthened estoppel provisions. Estoppel for Post Grant Review and Inter Partes Review will apply to “any ground that the petitioner raised or reasonably could have raised” during the proceeding.<sup>79</sup> Inter Partes Reexamination has the same standard for estoppel, but without the word “reasonably.” We have to wait and see what the impact of the word “reasonably” will be.

Some differences between estoppel for Inter Partes Reexamination and Post Grant Review and Inter Partes review are listed below. Inter Partes Reexamination estoppel attaches only after the reexamination certificate is issued.<sup>80</sup> This certificate can be issued only when there is no possibility for further proceedings, such as an appeal.<sup>81</sup> Furthermore, Inter Partes Reexamination applied estoppel only to civil actions.<sup>82</sup> Under the new Inter Partes Review and Post Grant Review, estoppel attaches when the Patent Trial and Appeal Board issues its final written decision.<sup>83</sup> It attaches even during an appeal to the Federal Circuit.<sup>84</sup> This should make estoppel attainable 12-18 months earlier.<sup>85</sup> Moreover, the new reexamination proceedings estoppel also attaches to any International Trade Commission proceedings.<sup>86</sup>

Congress obviously gave the new reexamination proceedings estoppel

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78. Estoppel is a legal principle that prevents a party from denying a certain fact. *What is ESTOPPEL?*, THE LAW DICTIONARY, <http://thelawdictionary.org/estoppel/> (last visited Nov. 19, 2012). An example in this context would be an accused infringer being estopped from claiming that a piece of prior art invalidates a patent during a civil litigation when the accused infringer asserted that same prior art on the same patent during a previously concluded Inter Partes Reexamination. *See id.*

79. Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 301–02 (2011).

80. Matthew A. Smith, *A CRITICAL ANALYSIS OF THE INTER PARTES REVIEW STATUTE*, GRAY ON CLAIMS, (Sept. 8, 2011), [http://www.grayonclaims.com/storage/Critical\\_Analysis\\_of\\_Inter\\_Partес\\_Review.pdf](http://www.grayonclaims.com/storage/Critical_Analysis_of_Inter_Partес_Review.pdf).

81. *Id.*

82. *Id.*

83. *Id.*

84. *Id.*

85. Scott A. McKeown, *New Inter Partes Review Grounds to Stay Most Patent Litigation?*, PATENTS POST-GRANT (Sept. 29, 2011), <http://www.patentspostgrant.com/lang/en/2011/09/new-inter-partes-review>.

86. *See* Smith, *supra* note 80.

more teeth and greater clarity. This aspect, again, has to be taken into account when a client decides whether to file a reexamination proceeding.

#### **F. THE BOARD OF PATENT APPEAL AND INTERFERENCES IS GONE, HELLO PATENT TRIAL AND APPEALS BOARD**

The new Patent Trial and Appeals Board will replace the Board of Patent Appeal and Interferences, effective on September 16, 2012.<sup>87</sup> Appeals from the Patent Trial and Appeals Board will go directly to the Court of Appeals for the Federal Circuit.<sup>88</sup> The Patent Trial and Appeals Board will hear both Inter Partes Review and Post Grant Review. The hearing will happen in front of three administrative patent judges.<sup>89</sup> This is different from the previous Inter Partes Reexamination process, where the procedure took place in front of three examiners who are part of the Central Reexamination Unit.<sup>90</sup> It is also different because previously the Central Reexamination Units decision could be appealed to the Board of Appeal and Inferences.<sup>91</sup> Inter Partes Review and Post Grant Review remove this extra appeal layer. Furthermore, the Patent Trial and Appeals Board will allow for discovery, motions, and many litigation style mechanics.<sup>92</sup> The Inter Partes Review proceeding will be gradually implemented and limited to 281 proceedings per year until 2016.<sup>93</sup> Such limit could be an issue because Inter Partes Reexamination had 281 filings in 2010 and 374 filings in 2011.<sup>94</sup> In the first few years of Inter Partes Reexamination, however, there had been substantially less volume than the USPTO predicted.<sup>95</sup>

This new Patent Trials and Appeals Board is likely to streamline the Inter Partes Review and Post Grant Review process. Anytime layers of review are removed, it will take less time to complete the process and, consequently, will help to meet the goal of obtaining a faster reexamination process.

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87. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 3, § 135, 125 Stat. 284, 289-90 (2011).

88. Bui, *supra* note 38, at 465.

89. McKeown & Signore, *supra* note 63.

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.*

94. *Reexamination Filing Data*, *supra* note 5.

95. UNITED STATES PATENT AND TRADEMARK OFFICE, REPORT TO CONGRESS ON INTER PARTES REEXAMINATION EXECUTIVE SUMMARY, *available at* [http://www.uspto.gov/web/offices/dcom/olia/reports/reexam\\_report.htm](http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm) (last visited Nov. 19, 2012). The USPTO predicted 400 Inter Partes Reexamination Filings in 2000 and 440 in 2001; the subsequent numbers were zero and one. *Id.* There has still not been a year that has seen over 400 requests. *Id.*

### III. PATENT LITIGATION: STRATEGIC AND TACTICAL CONSIDERATIONS

The America Invents Act will affect the tactical and strategic decisions in patent litigation. Factors that need to be considered in litigation decisions will include venue, cost deferral, standard of proof at the Patent and Trademark Office, settlements, stays of litigation, estoppel, and an apparent “Dead Zone.” Each of these factors can have a substantial influence in the outcome of any patent litigation. Each of these factors will also affect the client’s money, time, and chance of winning.

These tactical and strategic decisions involve a game of give and take. A client may be willing to increase the short-term costs of litigation in order to get a more favorable venue. Or the client may be willing to spend more to settle a case quickly and not waste time. Patent litigators will have to inform and educate their clients on the changes of the law and how the changes affect common litigation tactics so that litigators can increase their client’s chances of saving money, time, and obtaining a win.

#### A. THE HOME FIELD ADVANTAGE

Having a venue with home field advantage can be a great asset for a client.<sup>96</sup> If the client’s business employs a number of people in the area, it is generally understood that jury members are likely to be sympathetic to the client.<sup>97</sup> The patent venue statute allows an action to be filed wherever the accused infringer’s product is sold or used.<sup>98</sup> A patentee plaintiff generally wants a pro-patent jurisdiction, a jury trial (since they are mostly more pro-patentee), and a fast docket.<sup>99</sup> On the other hand, an accused infringer generally wants a forum unlikely to send the case to trial and a slow docket; except when the accused infringer possesses limited resources, then he may want a fast docket.<sup>100</sup> In theory, one could even keep a patent case from being appealed to the Federal Circuit; this requires one to file a meritorious anti-trust claim against one who would bring a patent infringement counter claim.<sup>101</sup>

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96. See *Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 39–40 (1988) (Scalia, J., dissenting) (“Venue is often a vitally important matter, as is shown by the frequency with which parties contractually provide for and litigate the issue. Suit might well not be pursued, or might not be as successful, in a significantly less convenient forum.”).

97. See Kevin Reed, *Jury rules for Apple against Samsung in patent dispute*, WORLD SOCIALIST WEB SITE (Sep. 4, 2012), <http://www.wsws.org/articles/2012/sep2012/appl-s04.shtml> (“The holding of a jury trial in the District of San Jose, California—just 10 miles from Apple headquarters in Cupertino—has political significance given that it would be difficult to find jurors more sympathetic to Samsung than the storied Apple.”).

98. Mark A. Lemley, *Where to File Your Patent Case*, 38 AM. INTELL. PROP. L. ASS’N Q. J. 1, 15 (2010), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1597919##](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1597919##).

99. *Id.*

100. *Id.*

101. See generally *Christianson v. Colt Indus.*, 486 U.S. 800 (1988) (the Supreme Court holding that the Court of Appeals for the Federal Circuit did not have jurisdiction over a case where the plaintiff asserted a Sherman I and II violation and the defendant asserted patent infringement. This type of action is not recommended for most clients because

The new American Invents Act reexamination proceedings change the venue game for both accused infringer and patent holder. A client that decides to file a declaratory judgment action challenging the validity of a patent is prohibited from subsequently initiating either an Inter Partes Review or Post Grant Review on the patent in question.<sup>102</sup> Such prohibition could be a game changer because it is a tactic to file an Inter Partes Review after filing a declaratory judgment action. The accused infringing client will then have to make a judgment call before filing any declaratory judgment action. The client, however, will still have the option of filing an Ex Parte Reexamination.

If the client is a patent holder and deems a certain district court to be a top priority, he may want to file in that court as quickly as possible in lieu of entering into any pre-litigation correspondence with an accused infringer. Threat of litigation always carries the risk of having the accused infringer filing a declaratory judgment action. If a patent holder is flexible on venue and wishes instead to avoid an Inter Partes Review or Post Grant Review, then a declaratory judgment action is less of a concern.

#### **B. DEFERRING COSTS BECOMES A LITTLE PRICIER AND THE DEFERRAL PERIOD SHORTENS**

The reexamination proceedings have consistently been a great way for clients to defer litigation costs.<sup>103</sup> An accused infringer's pre-empting litigation by initiating a reexamination proceeding or gaining a motion to stay during litigation can delay the cost of litigation years into the future. Such delay would give the client time to build a war chest to fight in litigation and/or design around the patent in question.

The new Inter Partes Review and Post Grant Review shorten the deferral period for litigations. As stated earlier, the new proceedings have a statutory deadline to finish within one year, with a possible six-month extension with good cause.<sup>104</sup> Factoring in the six-month deadline to institute the reexamination, the maximum amount of time the new proceedings can take is at most twenty-four months,<sup>105</sup> significantly less time than an un-appealed Inter Partes Review proceeding takes to issue a certificate.<sup>106</sup> This deferral strategy does incur the more immediate cost of the reexamination proceedings. With the increased filing fees and the broadened discovery scope for both Inter Partes Review and Post Grant Review, this upfront cost will grow significantly. Such a cost may not be a concern for clients with substantial capital, but will be a consideration for

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litigating an anti-trust claim and defending against a patent infringement counterclaim would be extremely cost intensive).

102. Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6, § 315(a)(1) 125 Stat. 284, 301 (2011).

103. See generally AUVIL & DIVINE, *supra* note 11, at 35. Typical Inter Partes Review can cost from \$35,000 to \$200,000, while full litigation can cost into the millions. *Id.*

104. Office Patent Trial Practice Guide, 77 Fed. Reg. 48757 (Aug. 14, 2012).

105. *Id.*

106. ECKARDT & BLAXILL, *supra* note 19.

clients with limited legal funds.

To illustrate that reactions by clients with different capital vary, I would like to reemphasize that 83% of the comments submitted on the Patent and Trademark Office's proposed filing fees were from individuals.<sup>107</sup> Large law firms and companies that deal with multimillion dollar patent litigation actions probably do not consider the increased filing fees to be much burden—this is implied by the fact that no law firms or companies submitted comments on the proposed fees increases for reexamination.<sup>108</sup> But, individuals who have limited funds do have something to say.<sup>109</sup> After all, it is a valuable strategy for an individual to initiate a reexamination proceeding. The increased upfront costs of all the reexamination proceedings will definitely affect the “small” client's ability to initiate these actions.

The Post Grant Review proceeding offers some benefit in actually deferring costs. The proceeding, estimated to be in the \$175,000 to \$338,000 range, is significantly cheaper than a patent litigation action filed in a district court. Nonetheless, we will have to wait and see what the actual costs are upon the first filings of a Post Grant Review. In contrast, Inter Partes Review will be a great tool to defer the costs of litigation even with the shortened deferral period. The costs will likely be slightly higher than that of an Inter Partes Reexamination proceeding but still significantly cheaper than a full-blown patent infringement litigation.

### **C. STANDARD OF PROOF REMAINS LOWER AT THE PATENT AND TRADEMARK OFFICE**

The standard of proof to invalidate claims differs between a district court action and a reexamination proceeding. This difference will remain the same for the new reexamination proceedings. Once a reexamination proceeding is initiated at the USPTO, the patent in question no longer enjoys the presumption of validity stated in 35 U.S.C. § 282.<sup>110</sup> Furthermore, during reexamination, claims are given their broadest reasonable interpretation.<sup>111</sup> The general consensus is that these two differences make it easier to invalidate a claim at the USPTO in view of the prior art in a reexamination proceeding.<sup>112</sup>

The broadened discovery in both the Inter Partes Review and the Post Grant Review proceedings seems to give an accused infringer more firepower to invalidate claims in view of the prior art. If more prior art and testimony are considered when meeting a lower burden, then logically it is

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107. Picard, *supra* note 47.

108. *Id.* (showing no comments from companies).

109. Mitchell, *supra* note 67 (an e-mail comment posted for viewing on the USPTO website stating that “[r]aising the fee for ex parte reexamination requests will likely preclude many from using the process”).

110. In re Etter, 756 F.2d 852, 225 USPQ 1 (Fed. Cir. 1985); 35 U.S.C. § 282 (2012).

111. MPEP, *supra* note 33, § 2111.

112. See Perez, *supra* note 56, at 43.

more likely to find claims not novel or obvious. This logical correlation may, by itself, sway accused infringing clients to move forward with a reexamination proceeding.

#### D. SETTLEMENT IS ALWAYS A STRATEGY

The vast majority of patent cases settle.<sup>113</sup> A settlement in a patent case is a business decision.<sup>114</sup> If your client's main concern is to settle the dispute as quickly and efficiently as possible, then the new Post Grant Review and Inter Partes Review may be great options. The new Inter Partes Review and Post Grant Review explicitly allow a settlement that will terminate either action unless the USPTO has decided the case on the merits of the proceeding.<sup>115</sup> Settling is an excellent option for an accused infringer that is seeking to end these types of reexamination proceedings, and it can provide powerful leverage to assuage the patent holder. In contrast, under Inter Partes Reexamination, settlement terminations rarely took place. Some authorities denied that settlement was a possible course of action, even though they were incorrect.<sup>116</sup> The parties had to obtain a court order stating that the party requesting settlement has not met its burden of proving invalidity, as part of the bargaining for the settlement.<sup>117</sup> It should be noted that initiating an Ex Parte Reexamination proceeding would gain little leverage in a settlement, because once an Ex Parte action starts, it continues until a reexamination Certificate is issued.<sup>118</sup>

Aside from the termination aspect, the new Post Grant Review and Inter Partes Review proceedings can actually clarify how strong each side's case is without initiating a civil action in a district court.<sup>119</sup> Either proceeding can establish an additional foundation upon which a client can rely in order to make their business decision. A client, as either a patent holder or accused infringer, will get a glimpse of how a trial may play out with either of the proceedings. Such a glimpse can greatly assist the client in deciding whether he wants to settle.

#### E. THE "DEAD ZONE" CREATED BY THE AMERICA INVENTS ACT

The temporal elements of the Post Grant Review and Inter Partes

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113. Jay P. Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U. L. REV. 237, 259 (2006).

114. Jon O. Nelson, *Helping Clients Develop Effective Patent Law Strategies in Light of the New Patent Reform Rules and Key Court Decisions*, Intellectual Property Law 2012: Top Lawyers on Trends and Key Strategies for the Upcoming Year, (2012).

115. Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6, § 317(a), 125 Stat. 284, 303 (2011).

116. Charles W. Shifley, *Debunking Conventional Wisdom – You CAN End Inter Partes Reexamination*, BANNERWITCOFF.COM, <http://www.bannerwitcoff.com/news/513/> (last visited Apr. 22, 2012).

117. *Id.*

118. Perez, *supra* note 56, at 41.

119. Nelson, *supra* note 114.

Review seem to have created a “Dead Zone.”<sup>120</sup> This “Dead Zone” is a nine-month period of time when neither a Post Grant Review nor an Inter Partes Review can be filed against a newly issued patent. Post Grant Review will apply only to patents which have an effective filing date on or after March 16, 2013. Consequently, some patents may be eligible for Post Grant Review by 2014 and more will become eligible by 2015.<sup>121</sup> However, Inter Partes Review is only available nine months after a patent is issued as of September 16, 2012.<sup>122</sup> Post Grant Review and Inter Partes Review are not conducted in parallel. Also, an Inter Partes Review may not be initiated if the petition is filed more than one year after the petitioner is served with a complaint alleging patent infringement.<sup>123</sup>

The time gap explained above creates a potential dilemma for an accused infringer and a useful tool for a newly issued patent holder. In the first nine months after a patent is issued (issued after September 16, 2012 and filed before March 16, 2013), neither a Post Grant Review nor an Inter Partes Review will be available. Post Grant Review is only available for currently-filed business methods, or any patent that was filed after the implementation of the first-to-file system (which begins March 16, 2013). A newly issued patent holder may file an immediate infringement action, but the accused infringer cannot initiate a Post Grant Review and will be limited to filing an Inter Partes Review only during the first nine to twelve months after the infringement action commences. Only the Ex Parte Reexamination will be available for the first nine months. This also has interplay with whether the court grants a stay. Two factors in granting a stay in litigation are time sensitive: whether discovery is complete and whether a trial date has been set.<sup>124</sup> Therefore, the chance of granting a stay decreases with time and so does an accused infringer’s leverage in negotiation.

In sum, the “Dead Zone” could potentially be a strong litigation tactic utilized by patent holders. It incentivizes quick filings of infringement actions after a patent is issued. A quick infringement filing will take away certain strategies that the accused infringer could have utilized. As a result, lack of certain strategies will increase the chance of the case both getting to trial and settlement in favor of the patent holder.

#### F. STAYS OF LITIGATION WILL HAVE DEFINED LIMITS

Generally speaking, if the client is a patent holder who filed an infringement action, he would prefer the trial to take place tomorrow. If the client is an accused infringer, he would prefer the trial to never happen.

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120. Scott A. McKeown, *USPTO Patent Reexamination Landscape to Evolve Under Patent Reform*, 1078 PLI/PAT 89, 104 (2012).

121. See Laurence & Phillips, *supra* note 76.

122. Leahy-Smith America Invents Act, Pub. L. No. 112–29, sec. 6, § 311, 125 Stat. 284, 299 (2011).

123. Leahy-Smith America Invents Act, sec. 6, § 312, 125 Stat. at 300–01.

124. *Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006).

A stay of litigation pending the outcome of a reexamination can be a very useful tool to an accused infringer in an infringement action. As stated earlier, nearly 70% of Inter Partes Reexaminations are known to be in litigation and many of these infringement actions have been stayed pending the outcome.<sup>125</sup> The new reexamination proceedings in the America Invents Act decrease the possibility of a litigation stay. Previously, a district court had nearly full discretion to grant a stay pending a reexamination. Congress has now codified rules governing this practice as explained below.

Both Post Grant Review and Inter Partes Review proceedings are barred from being instituted if the petitioner files a civil action challenging the validity of a patent, for example, a declaratory judgment action on the basis of invalidity.<sup>126</sup> Furthermore, an accused infringer may not initiate an Inter Partes more than one year after being served with a complaint of infringement.<sup>127</sup> This is not an issue with Post Grant Review because this proceeding is only available for 9 months after a patent is issued. The codified rules governing when an Inter Partes Review can be initiated effectively narrow the circumstances to which an accused infringer can motion the court for a stay.

Nonetheless, a district court still has discretion to stay judicial proceedings pending the reexamination of a patent.<sup>128</sup> Generally, the factors a court considers when determining whether a stay is appropriate are: “(1) whether discovery is complete and whether a trial date has been set; (2) whether stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party.”<sup>129</sup> The general rule is that the closer the case gets to trial, the less likely a motion to stay pending reexamination will get granted.

A motion to stay pending reexamination of a patent is still a viable tool for an accused infringer. It still has the benefit of deferring costs of the litigation and a new extra benefit of gaining leverage when a Post Grant Review or Inter Partes Review gets involved. But the client must consider new temporal restrictions for this motion when making decisions. Accused infringers in the new reexamination proceedings must evaluate the use of a motion to stay earlier than those in previous practice.

A newly issued patent holder may also take advantage of the “Dead Zone.” The “Dead Zone” creates a narrow three-month window for the accused infringer to file a motion with the court for a stay with respect to an Inter Partes Review. For example, the Western District of Wisconsin and Eastern District of Virginia both average less than one year from filing

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125. *Reexamination Filing Data*, *supra* note 5.

126. Leahy-Smith America Invents Act, sec. 6, §§ 315(a)(1), 325(a)(1), 125 Stat. at 301, 307.

127. Leahy-Smith America Invents Act, sec. 6, § 315(b), 125 Stat. at 301.

128. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988).

129. *Telemac*, 450 F. Supp. 2d. at 1111.

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the complaint to the trial.<sup>130</sup> Taking advantage of the “Dead Zone” in these Courts would drastically increase the odds that a motion to stay would get denied.

#### **G. ESTOPPEL WILL INCREASE IN SIGNIFICANCE**

The strengthened estoppel of the Post Grant Review and Inter Partes Review should be given heavy weight in future client decisions. The petitioner is estopped from challenging the patent’s validity on “any ground that the petitioner raised or reasonably could have raised” during the proceeding.<sup>131</sup> This rule now applies to not only civil actions and proceeding before the USPTO, but also the International Trade Commission.

Furthermore, the Post Grant Review proceeding includes many more grounds on which a patent’s validity may be challenged. The increased grounds mean that the petitioner will be estopped from challenging the validity on those grounds in future litigation. Consequently, the estoppel will greatly weaken any accused infringer to defend on invalidity in district court litigation. If an accused infringer is estopped by one of these proceedings, he will have to focus more on the non-infringement aspects of the case.

#### **IV. TURNING CHALLENGE INTO OPPORTUNITY**

A patent litigator’s job is to serve his client, and meet, or even go beyond, the client’s expectation. A patent litigation client must have the most accurate and updated information in order to make the right business decisions. Therefore, a patent litigator must be alert to any changes to the law and the following impact on strategic and tactical tools used in patent litigation. This paper elaborated on the changes to the reexamination proceedings in the America Invents Act and how these changes will affect patent litigation tools. Moreover, it illustrated how understanding these changes can save a client’s time, money, and improve his chances of winning.

In this upcoming new era of patent litigation, patent litigators must embrace these changes, upgrade the arsenal, and turn this challenge into another opportunity to serve the client.

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130. Lemley, *supra* note 98.

131. Leahy-Smith America Invents Act, sec. 6, §§ 315(e)(1), 325(e)(1), 125 Stat. at 301, 308.