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PATENT REEXAMINATION POST LITIGATION: IT'S TIME TO SET THE RULES STRAIGHT

I. INTRODUCTION: FROM PENDING TO POST

One of the goals of patent law is to promote innovation.¹ To effectuate this goal, the United States Constitution grants Congress the power to confer upon inventors a limited monopoly over their inventions.² Congress first acted on this authority when it passed the Patent Act of 1790.³ Today the requirements for patent protection are codified in Title 35 of the United States Code.⁴

To obtain a patent under this current law, an inventor first must file a patent application with the United States Patent and Trademark Office (PTO). The PTO then conducts an examination to ensure that the application meets certain statutory requirements, including that the claimed invention is adequately disclosed,⁵ new,⁶ useful,⁷ nonobvious,⁸ and within at least one of the statutory classes of patentable subject matter (i.e., processes, machines, manufactures, or compositions of matter).⁹ If the application meets these legal requirements, the PTO issues a patent to the inventor.

The patent examination process is not a perfect system. Because of rapid changes in technology and decentralization of knowledge, the PTO may approve a patent application and issue a patent without knowing information that could render the patent invalid.¹⁰ To address this problem, Congress implemented a reexamination procedure, whereby an issued patent may return to the PTO for consideration of validity issues that were overlooked during the initial examination.¹¹ The main purpose of this reexamination statute was to strengthen

¹ U.S. CONST. art. I, § 8, cl. 8 (allowing Congress “[t]o Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”).

² *Id.*

³ Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109.

⁴ 35 U.S.C. § 101 (2000) (“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”).

⁵ See 35 U.S.C. § 112 (2000) (setting forth disclosure requirements).

⁶ See 35 U.S.C. § 102 (2000) (setting forth the novelty requirement).

⁷ See 35 U.S.C. § 101 (setting forth the utility requirement).

⁸ See 35 U.S.C. § 103 (2000) (setting forth the nonobviousness requirement).

⁹ See 35 U.S.C. § 101 (setting forth the patentable subject matter requirement).

¹⁰ Kristen J. Osenga, *Rethinking Reexamination Reform: Is It Time for Corrective Surgery, or Is It Time to Amputate?*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 217, 218 (2003).

¹¹ See 35 U.S.C. §§ 301-307, 311-318 (2000). The reexamination statute was enacted in 1980 and amended in 1999.

“investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents.”¹²

While this was its main goal, Congress anticipated two other major benefits to the reexamination procedure. First, Congress believed the procedure would allow the courts to leverage the PTO’s expertise by referring patent validity matters to the PTO.¹³ Second, Congress intended the reexamination process to provide a faster and less expensive resolution than litigation.¹⁴ Ironically, though, the reexamination procedure also allows for subsequent appeals of PTO decisions, which has fueled much debate on whether patent reexamination actually provides an expeditious, low-cost alternative to patent litigation.¹⁵

Despite these shortcomings, reexamination requests during litigation are actually quite common.¹⁶ The Patent Act provides that “[a]ny person at any time may file a request for reexamination by the [Patent] Office.”¹⁷ Thus, not only a patentee, but also a defendant in a patent infringement action can request a reexamination. A reexamination request during the early stage of litigation may result in the courts granting a stay of litigation pending the outcome of reexamination in an effort to avoid effort duplicative of the PTO.¹⁸ Courts have denied stays, however, when they are requested late in the litigation, present a tactical disadvantage to the non-moving party, or would cause undue prejudice.¹⁹

Reexamination after patent litigation, though less common than reexamination during litigation, creates different issues for the patent reexamination process. For instance, when reexamination follows a trial, the PTO’s decision has no effect on the district court’s judgment though it could affect appellate review.²⁰ Thus,

¹² H.R. REP. NO. 96-1307, pt. 1, at 3 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6462.

¹³ H.R. REP. NO. 107-120, at 3 (2001).

¹⁴ *Id.*

¹⁵ See James L. Wamsley, *A View of Proposed Amendments to Patent Reexamination Through the Eyes of a Litigator*, 36 IDEA 589 (1996) (“Enacted into law in 1980 to provide an expeditious and low cost alternative to patent litigation, reexamination today is frequently neither quick nor inexpensive. Instead, it has become a tactical weapon frequently deployed by defendants in patent infringement actions.”).

¹⁶ Amy Gast O’Toole & Wendy J. Weimer, *Patent Reexamination During Litigation: Is it Too Late for a Stay?*, 8 IP LITIGATOR 8 (2002).

¹⁷ 35 U.S.C. § 302.

¹⁸ See H.R. REP. NO. 96-1307, pt. 1, at 4 (“The bill does not provide for a stay of court proceedings. It is believed by the committee that stay provisions are unnecessary in that such power already resides with the Court to prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure.”); *Ethicon Inc. v. Quigg*, 849 F.2d 1422, 1426-27, 7 U.S.P.Q.2d (BNA) 1152, 1155 (Fed. Cir. 1988) (noting that courts “have inherent power to manage their dockets and stay proceedings, . . . including the authority to order a stay pending conclusion of a PTO examination”).

¹⁹ O’Toole & Weimer, *supra* note 16, at 9.

²⁰ *Id.* at 9; see also *Xerox Corp. v. 3Com Corp.*, 267 F.3d 1361, 60 U.S.P.Q.2d (BNA) 1526 (Fed.

a defendant in a patent infringement action who failed to invalidate a patent during litigation may nonetheless prevail in a reexamination proceeding.²¹ In fact, this is exactly what may happen to the defendant in the recent case of *Eolas Technologies, Inc. v. Microsoft Corp.*²²

In 1999, Eolas Technologies filed suit against Microsoft Corporation for infringement of its web browser patent (the '906 patent).²³ The suit alleged that Microsoft's widely used browser platform, Internet Explorer, infringed the '906 patent.²⁴ In August 2003, a jury in the Northern District of Illinois agreed and awarded Eolas damages of \$520.6 million.²⁵ Microsoft then appealed the verdict against it.²⁶ On March 2, 2005, the United States Court of Appeals vacated the district court's decision and remanded for a new trial.²⁷

Meanwhile, due to the substantial outcry from the Internet community, the PTO ordered a reexamination of the '906 patent on October 30, 2003.²⁸ On August 15, 2004, the PTO found several of the '906 patent claims to be obvious in light of prior art publications, which would invalidate the '906 patent.²⁹ Although preliminary, the PTO rulings ultimately may play a role in freeing Microsoft of any liability in the infringement lawsuit.

This Note first will consider the history of the patent reexamination process and its evolution via federal law. This Note then will discuss the potential impacts of the *Eolas* case on the patent reexamination process as well as the public policy issues that may arise when patents are reexamined after the rendering of a verdict. Finally, this Note will propose that Congress amend the patent reexamination statute to include a process to determine whether or not a patent qualifies for reexamination after litigation has ended.

II. OVERVIEW AND HISTORY OF PATENT REEXAMINATION

There are currently two patent reexamination proceedings available to challenge an issued patent. The first, an *ex parte* reexamination, was the initial

Cir. 2001) (considering reexamination evidence in reversing a finding of noninfringement).

²¹ See *Quigg*, 849 F.2d at 1426 (indicating that litigation and reexamination are distinct proceedings with distinct parties, purposes, procedures, and outcomes).

²² *Eolas Techs. Inc. v. Microsoft Corp.*, No. 99 C 0626, 2004 WL 170334, 70 U.S.P.Q.2d (BNA) 1939 (N.D. Ill. Jan. 15, 2004) [hereinafter *Eolas III*].

²³ *Id.* (citing U.S. Patent No. 5,838,906 (issued Nov. 7, 1998)).

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Eolas Techs., Inc. v. Microsoft Corp.*, No. 04-1234, 2005 WL 475391, 73 U.S.P.Q.2d (BNA) 1782 (Fed. Cir. Mar. 2, 2005) [hereinafter *Eolas IV*].

²⁸ *Id.*

²⁹ *Id.*

reexamination system.³⁰ An *ex parte* reexamination allows only the patent holder to participate in the reexamination proceedings.³¹ The second, an *inter partes* reexamination, was created later by Congress to provide more rights to third parties in the substantive examination process.³² *Inter partes* reexamination is optional and co-exists with the *ex parte* reexamination proceeding.³³

A. WHO CAN ASK FOR A PATENT REEXAMINATION

The Patent Act permits anyone—either the patent owner or a third party—to request the PTO to reexamine one or more claims³⁴ of a patent in light of newly discovered prior art documents.³⁵ In addition, the PTO itself can order reexamination upon the determination that a “substantial new question of patentability” is raised in connection with any claims of a patent against newly found documents.³⁶ Moreover, there is no requirement that a controversial issue must arise before an individual can invoke the reexamination procedure.³⁷ Thus, any person at any time can request a patent to be reexamined as long as he can provide new prior art patents and publications relevant to the claims of the patent.³⁸

B. EX PARTE REEXAMINATION: THE ORIGINAL REEXAMINATION PROVISIONS

In 1980, Congress passed the Patent Reexamination Act³⁹ in an effort to provide a low-cost alternative to patent litigation.⁴⁰ Before 1980, expensive

³⁰ 35 U.S.C. §§ 301-307 (2000).

³¹ *Id.*

³² 145 CONG. REC. S14720 (daily ed. Nov. 17, 1999).

³³ 35 U.S.C. §§ 311-318 (2000).

³⁴ A patent claim is that portion of the patent document that defines the invention, “particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.” 35 U.S.C. § 112. The Federal Circuit has stated that “[i]t is the claims that measure the invention” and “[c]laims are infringed, not specifications.” *SRI Int'l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1121, 227 U.S.P.Q. (BNA) 577, 585 (Fed. Cir. 1985).

³⁵ Appropriate prior art includes patents and other printed publications. *See* 35 U.S.C. §§ 301-307.

³⁶ 35 U.S.C. §§ 303, 304; *see also* H.R. REP. NO. 96-1307, pt. 1, at 6 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6465 (stating that the Commissioner can order reexamination upon the determination that a “‘substantial new question of patentability’ is raised in connection with any claims of the patent against which a patent or printed publication is cited”).

³⁷ *See* 35 U.S.C. § 302; H.R. REP. NO. 96-1307, pt. 1, at 6 (noting that the person seeking reexamination need not be the one who cited the prior art and could even be the patentee).

³⁸ *See supra* note 37.

³⁹ The *ex parte* reexamination procedures are still valid provisions. *See* 35 U.S.C. §§ 301-307.

⁴⁰ Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S.*

federal court litigation was the only effective mechanism for a third party to invalidate a patent.⁴¹ Congress thus was motivated to provide a less expensive way to invalidate a patent.⁴²

Congress was also concerned, however, about potential strategic abuse of the reexamination process.⁴³ In particular, Congress was concerned that third parties could successively file reexamination requests on the same patent during or after the initiation of the original reexamination.⁴⁴ This concern led to significant limitations on the rights of third parties to participate in the process after the initiation of the reexamination.⁴⁵

1. *Reexamination Process When Initiated by the Patentee.* Under the *ex parte* reexamination procedure, the patentee may file a request for reexamination of one or more claims of an issued patent by providing in writing a new prior art reference that the examiner did not consider during the initial examination.⁴⁶ In addition, a patent owner may include a proposed amendment to one or more claims with his request,⁴⁷ although the PTO will decide whether to grant the request based solely on the wording of the original claims.⁴⁸ If the request for reexamination is granted, the reexamination prosecution will then be based on the claims as amended.⁴⁹

If, within three months of the reexamination request, the PTO determines that the cited art raises a “substantial new question of patentability,” the PTO will institute a reexamination proceeding.⁵⁰ Reexamination will then proceed in the same manner as an initial *ex parte* proceeding.⁵¹ If the patent passes reexamina-

Patent Law, 11 HARV. J.L. & TECH. 1, 40-41 (1997); see also H.R. REP. NO. 96-1307, pt. 1, at 3-4 (“Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation.”).

⁴¹ See H.R. REP. NO. 96-1307, pt. 1, at 4 (estimating that the average cost of defending a patent infringement claim could reach \$250,000 in 1980); Megan Barnett, *Patents Pending*, U.S. NEWS & WORLD REP., June 10, 2002, at 33-34 (stating that per party total litigation cost of \$4 to 10 million is commonplace today).

⁴² See H.R. REP. NO. 96-1307, pt. 1, at 4 (stating that reexamination meets the need for “useful and necessary alternatives for challengers and for patent owners to test the validity of [a] patent in an efficient and relatively inexpensive manner”).

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ See 35 U.S.C. §§ 301-307.

⁴⁶ 35 U.S.C. § 302.

⁴⁷ 35 U.S.C. § 305; 37 C.F.R. § 1.510(e) (2004).

⁴⁸ 35 U.S.C. § 305; see also DONALD S. CHISUM, 4 CHISUM ON PATENTS § 11.07[4][d][iv] (2004) (noting that no proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding).

⁴⁹ 35 U.S.C. § 305.

⁵⁰ 35 U.S.C. §§ 303, 304.

⁵¹ 35 U.S.C. § 305.

tion muster and maintains its validity, the patentee will have a stronger patent since the patent claims have been expanded to include new prior art. If the patent does not pass reexamination, however, the owner has the right to appeal the decision.⁵²

2. *Reexamination Process When Initiated by a Third Party.* Under the ex parte reexamination procedure, a third party may also file a request for reexamination of one or more claims of an issued patent by providing in writing a new prior art reference.⁵³ Again, if the PTO determines that a substantial new question of patentability exists, reexamination proceeds and the patent owner has a reasonable time to respond.⁵⁴ Once the patent owner responds, the party requesting the reexamination then has the opportunity to reply to the patent owner's statement.⁵⁵ Thereafter, the challenger is entirely precluded from participating in the communication between the PTO and the patent owner.⁵⁶ Reexamination then proceeds in the same manner as an initial examination.⁵⁷

Unlike the patentee, the third party is not permitted to appeal an unfavorable determination to the Board of Patent Appeals and Interferences or to the federal courts.⁵⁸ For this reason, in addition to the lack of participation rights granted to a third party, the ex parte reexamination procedure is not a true adversarial setting where a third party challenger is on equal footing with the patentee.

In short, ex parte reexamination is viewed as a forum more favorable to the patent owner.⁵⁹ As a result, challengers often opt for litigation rather than request ex parte reexamination.⁶⁰ This led Congress to devise the inter partes reexamina

⁵² 35 U.S.C. § 306. The patent owner may appeal an examiner's decision to the PTO Board of Appeals and Interferences. See 35 U.S.C. § 134 (2000). From the Board of Appeals and Interferences, the owner may appeal to the Court of Appeals for the Federal Circuit, the same court that reviews the holdings of United States district courts in patent infringement litigation. See 25 U.S.C. § 141 (2000).

⁵³ 35 U.S.C. § 302.

⁵⁴ See 35 U.S.C. § 304 (stating that the reasonable period for a response shall not be less than two months and that a response from the patent owner may include a statement as well as any amendment that narrows the claims); 35 U.S.C. § 305; 37 C.F.R. §§ 1.121, 1.530 (2004) (stating that the patent owner may not broaden the scope of the claims or introduce new matter but may submit additional claims).

⁵⁵ The requester also has two months in which to reply. 35 U.S.C. § 304.

⁵⁶ Qin Shi, *Reexamination, Opposition, or Litigation? Legislative Efforts to Create a Post-Grant Patent Quality Control System*, 31 AIPLA Q.J. 433, 440 (2003).

⁵⁷ 35 U.S.C. § 305.

⁵⁸ 35 U.S.C. § 306.

⁵⁹ Marcus J. Millet, *Recent Statutory Changes May Alter the Landscape*, N.J. LAW., October 2003, at 22.

⁶⁰ See Stuart J.H. Graham et al., *Post-Issue Patent "Quality Control": A Comparative Study of US Patent Reexaminations and European Patent Oppositions*, at 13 (Inst. Of Bus. And Econ. Research Competition Policy Ctr., Working Paper No. CPC02-031, 2002), available at <http://repositories.cdlib.org/iber/>

tion in an effort to increase third party participation as well as provide appeal rights to third parties.⁶¹

C. INTER PARTES REEXAMINATION: LEGISLATIVE REFORM OF THE REEXAMINATION PROVISIONS

1. *The Original Inter Partes Reexamination Provision.* In 1999, Congress created an inter partes reexamination procedure as an optional alternative to the original ex partes reexamination procedure.⁶² The object of the new law was to “reduce expensive patent litigation in U.S. district courts by giving third-party requesters, in addition to the existing ex parte reexamination in Chapter 30 of title 35, the option of inter partes reexamination proceedings in the PTO.”⁶³

This new procedure had several similarities to the original ex parte reexamination procedure. First, under this new system, a patentee or a challenger could file a request for reexamination based on a particular piece of prior art.⁶⁴ The PTO would then impose the same standard for granting a reexamination, requiring a “substantial new question of patentability” to exist.⁶⁵ Finally, if the PTO ordered reexamination of the patent, the patentee still had the right to file a statement addressing the new question of patentability, including any proposed amendments to the patent.⁶⁶

Unlike in an ex parte reexamination, which allows the challenger only a single response, under this new system the challenger had the right to reply to the comments made by the patent owner each time the owner filed a response to the PTO.⁶⁷ Despite this difference, the appeal procedure, though less restrictive than that of an ex parte reexamination, was still more favorable to the patent owner. While either party—the patent owner or the challenger—had the right to appeal

cpc/CPC02-031 (noting that there were significantly less litigation cases than reexamination cases between 1980 and 1998 in the United States).

⁶¹ See 145 CONG. REC. E1788, E1790 (daily ed. Aug. 5, 1999) (“Congress enacted legislation to authorize ex parte reexamination of patents in the PTO in 1980, but such reexamination has been used infrequently since a third party who requests reexamination cannot participate at all after initiating the proceedings.”).

⁶² 35 U.S.C. §§ 311-318.

⁶³ 145 CONG. REC. E1788, E1789-90. The Patent Litigation Reduction Act, also called the Optional Inter Partes Reexamination Procedure Act, was added as Chapter 31 to the Patent Act. The original and amended provisions only covers patents issuing on applications filed on or after November 29, 1999. See *id.*

⁶⁴ 35 U.S.C. § 311.

⁶⁵ 35 U.S.C. § 312(a).

⁶⁶ 37 C.F.R. § 1.530 (1988).

⁶⁷ 35 U.S.C. § 314.

to the Patent Board of Appeals and Interferences,⁶⁸ only the patent owner had the right to appeal from the Board to the Federal Circuit Court of Appeals.⁶⁹ Moreover, the challenger was estopped from later questioning in litigation the validity of any claim held valid during reexamination that it challenged or could have challenged in the reexamination.⁷⁰ The challenger was further estopped from challenging “in any civil action any fact determined” during the reexamination proceeding.⁷¹ Finally, the challenger could not initiate a reexamination proceeding based on any issues it raised or could have raised in an earlier reexamination or patent suit in which he did not prevail.⁷²

Thus, as initially enacted, the original inter partes reexamination proceeding was still too restrictive to third parties to be a viable litigation alternative. In fact, the original inter partes reexamination statute was rarely used.⁷³

2. *The Amended Inter Partes Reexamination Provision.* Effective November 2, 2002, the statute governing inter partes reexamination was amended to provide full participation by a third party at all stages of the proceedings.⁷⁴ In addition to being able to appeal to the Patent Board of Appeals, the challenger now may appeal from the Board’s decision to the Federal Circuit if the Board affirms a finding of patentability or reverses an examiner’s finding of unpatentability.⁷⁵ Furthermore, the challenger may participate as a party if the patent owner appeals to the court from an unfavorable decision regarding patentability.⁷⁶

Despite these improvements, the estoppel restraints imposed on a third party challenger still remain. That is, a challenger will be estopped from relitigating the same issue in a later patent suit if he loses in the inter partes reexamination.⁷⁷ In addition, the challenger will be estopped from seeking review of factual

⁶⁸ 35 U.S.C. § 315.

⁶⁹ *Id.*

⁷⁰ *See id.* (providing that the third party requester was not prevented from challenging validity based on new prior art that was not available to the requester or the PTO at the time of the reexamination).

⁷¹ Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, § 4607, 113 Stat. 1501. Note that Congress included a statement of severability in the provision to recognize the continued validity of the remainder of the legislation if this section was held unenforceable. *See id.*

⁷² 35 U.S.C. § 317.

⁷³ *See* Millet, *supra* note 59, at 22 (noting that only seven requests for inter partes reexamination were filed between 1999 and the end of 2002).

⁷⁴ 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, § 13106, 116 Stat. 1758 (2002) (codified as amended at 35 U.S.C. § 315(b) (2003)).

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ 35 U.S.C. § 315.

determinations made in the inter partes reexamination.⁷⁸ For these reasons, some patent practitioners are beginning to consider inter partes reexamination as a viable alternative to patent litigation in some circumstances, while others feel that the reexamination statute still renders too great a risk to parties other than the patentee.⁷⁹

III. THE CASE OF *EOLAS TECHNOLOGIES, INC. V. MICROSOFT CORP.*

In the early 1990s, Michael Doyle, founder of Eolas Technologies, and a team of researchers at the University of California in San Francisco began working to transform how scientific information is created, accessed, and published.⁸⁰ As part of their research, they explored the possibility of allowing scientists not only to read what was published online but also to interact with that data.⁸¹

The inventors sought to solve two main problems with data interactivity via the internet. The first problem was that of hypermedia documents being “limited in their ability to deal with large data objects⁸² because of bandwidth constraints and the limited processing power of one person’s computer.”⁸³ The second problem the inventors addressed was the limited capability of current browsers to allow end users to interact with data.⁸⁴ At that time external software programs were necessary to deal with objects that required interactivity, forcing the user to interact with a separate display area also known as a pop-up window.⁸⁵ The

⁷⁸ 145 CONG. REC. H6947 (daily ed. Aug. 3, 1999).

⁷⁹ See Millet, *supra* note 59, at 22, 24 (“[T]he newly strengthened inter partes reexamination statute presents an option that should be carefully considered by attorneys and their business clients.”). But see Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won’t Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943, 967 (2004) (“While some hope that the new-style request will catch on, that does not seem likely until Congress changes the statute to reduce the risks of using the current system.”).

⁸⁰ *Patents: Web Browser Patent Infringed by Microsoft is Rejected by PTO in Second Office Action*, 68 PAT. TRADEMARK & COPYRIGHT J. 484 (2004) [hereinafter *Web Browser Patent Infringed*].

⁸¹ *Id.*

⁸² For example, particularly large video files, pseudo-3-D animated sequences, and the like.

⁸³ *Eolas Techs., Inc. v. Microsoft Corp.*, No. 99 C 0626, 2000 WL 1898853, at *2 (N.D. Ill. Dec. 29, 2000) [hereinafter *Eolas I*]; see also U.S. Patent No. 5,838,906 (issued Nov. 17, 1998) (“Today’s browsers and viewers are not capable of performing the computation necessary to generate and render new views of these large data objects in real time.”).

⁸⁴ *Eolas I*, 2000 WL 1898853, at *2; see also U.S. Patent No. 5,838,906 (“Users are limited to traditional hypertext and hypermedia forms of selecting linked data objects for retrieval and launching viewers or other forms of external software to have the data objects presented in a comprehensible way.”).

⁸⁵ *Eolas I*, 2000 WL 1898853, at *2.

external software and the browser did not communicate;⁸⁶ the browser was inactive while the external software was active.⁸⁷

To resolve the lack of browser interactivity, Doyle and his team developed a method that allows web page developers to embed interactive programs in web pages for use with interactive content such as video games, stock information, and virtual tours on the web.⁸⁸ The method consists of computational processing of a complex image “by more powerful computers located remotely from the user’s” while simultaneously allowing the user “to manipulate the image (rotate, scale, reposition the viewpoint) without exiting the browser display area.”⁸⁹

The inventors filed an application with the PTO in October 1994, and in November 1998, the PTO issued the patent, entitled ‘Distributive Hypermedia Method for Automatically Invoking External Application Providing Interaction and Display of Embedded Objects Within a Hypermedia Document,’ to the University of California as assignee.⁹⁰ The patent discloses a method for building a web browser that displays interactive objects embedded in a single web page and uses another application to enable the interactivity.⁹¹ After the issuance of the patent, the University of California granted Eolas Technologies an exclusive license for the ‘906 patent.⁹² Under this license, Eolas must pay the university for any products that it develops and for any licenses that it grants in connection with the patent.⁹³

Prior to the issuance of the ‘906 patent the University of California contacted a representative of Microsoft about licensing the ‘906 browser technology.⁹⁴ At that time, Microsoft did not express any interest in such a licensing agreement.⁹⁵ Instead, while the ‘906 patent was pending, Microsoft adopted and launched its own browser technology in the form of its Internet Explorer browser platform.⁹⁶ On February 2, 1999, Eolas Technologies and the University of California filed suit against Microsoft alleging that Microsoft’s widely used browser platform, Internet Explorer, infringed the ‘906 patent.⁹⁷

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *Web Browser Patent Infringed*, *supra* note 80, at 484.

⁸⁹ *Eolas I*, 2000 WL 1898853, at *2.

⁹⁰ U.S. Patent No. 5,838,906.

⁹¹ *Id.*

⁹² *Web Browser Patent Infringed*, *supra* note 80, at 484.

⁹³ *Id.*

⁹⁴ *Eolas Techs., Inc. v. Microsoft Corp.*, No. 99 C 0626, 2003 WL 1903989, at *2 (N.D. Ill. Apr. 17, 2003) [hereinafter *Eolas II*].

⁹⁵ *Id.*

⁹⁶ *Id.* at *1.

⁹⁷ The suit was filed seventy-seven days after the ‘906 patent issued. *Id.*

In August 2003, a jury found that Microsoft's Internet Explorer browser platform infringed on the '906 patent's web browser technology and awarded Eolas damages of \$520.6 million.⁹⁸ Judge James B. Zagel of the U.S. District Court for the Northern District of Illinois upheld the jury award in January 2004.⁹⁹ On March 2, 2005, the United States Court of Appeals vacated the district court's decision and remanded for a new trial.¹⁰⁰

On October 30, 2003, the PTO Commissioner ordered reexamination of the '906 patent¹⁰¹ after a "substantial outcry" from the internet community, including the World Wide Web Consortium (W3C).¹⁰² The W3C presented two prior art references that the PTO had not considered during the prosecution of the '906 patent.¹⁰³ It argued that the newly discovered prior art references, along with the prior art reference—the Mosaic browser—already acknowledged in the patent, render the claims of the patent obvious under section 103.¹⁰⁴

The W3C's reexamination request stems from a concern about the impact that the *Eolas* ruling might have on the world wide web community.¹⁰⁵ Specifically, the W3C stated to the PTO that "those who wrote Web pages or developed software in reliance on past Web standards will now have to retrofit their systems in order to accommodate deviations from standards forced by the '906 patent."¹⁰⁶ As of today, only two office actions in this reexamination proceeding have occurred. In the first office action, which initiated the reexamination, the PTO held the '906 patent invalid due to obviousness in light of the admitted prior art and additional

⁹⁸ *Eolas III*, 2004 WL 170334, at *1, 70 U.S.P.Q.2d (BNA) 1939 (N.D. Ill. Jan. 15, 2004).

⁹⁹ *Id.*

¹⁰⁰ *Eolas IV*, 2005 WL 475391, at *1, 73 U.S.P.Q.2d (BNA) 1782 (Fed. Cir. Mar. 2, 2005) ("Because the district court improperly granted judgment as a matter of law (JMOL) in *Eola*'s favor on Microsoft's anticipation and obviousness defenses and improperly rejected Microsoft's inequitable conduct defense, this court vacates the district court's decision and remands for a new trial on these issues."). At trial, Microsoft offered evidence that the Viola web browser invented by Pei-Yuan Wei was in public use more than one year before *Eolas*' invention, which invalidated the patent under 35 U.S.C. § 102(b) (2000) and other provisions of the patent statute. *Id.*

¹⁰¹ *Id.*

¹⁰² *Eolas III*, 2004 WL 170334, at *5. The W3C is an international consortium through which member organizations, a full-time staff, and the public, work together to develop web standards and guidelines.

¹⁰³ The W3C submitted two articles by Dave Raggett: the Raggett I and Raggett II publications. *Web Browser Patent Infringed*, *supra* note 80, at 484. The Raggett I reference, entitled *HTML+*, concerns the Hypertext Markup Language technology, and the Raggett II reference is an internet posting. See UNITED STATES PATENT AND TRADEMARK OFFICE, EX PARTE COMMUNICATION TRANSMITTAL FORM (Aug. 16, 2004), available at <http://pub.bna.com/ptcj/eolasreexam.pdf>.

¹⁰⁴ *Web Browser Patent Infringed*, *supra* note 80, at 484; see 35 U.S.C. § 103.

¹⁰⁵ *Web Browser Patent Infringed*, *supra* note 80, at 484.

¹⁰⁶ *Id.*

references.¹⁰⁷ Eolas then filed a response on May 11, 2004, which initiated the second office action.¹⁰⁸ In this second action, the PTO upheld its previous finding of obviousness, this time citing the Berners-Lee and Raggett references, as well as an article by George Tovey that “discloses a distributed hypermedia system in which a hypermedia browser allows a user to interactively process an object embedded within a distributed hypermedia document.”¹⁰⁹ Eolas may now respond one more time to the PTO, whose next office action will be final.¹¹⁰ If the decision is still unfavorable to Eolas, it can appeal the decision to the Board of Patent Appeals and Interferences and then to the Federal Circuit.¹¹¹

IV. THE IMPACT OF REEXAMINATION ON POST-TRIAL PROCEEDINGS

In cases where litigation has just commenced or is still on-going, a subsequently filed request for reexamination may result in a stay of the litigation depending upon the degree to which the action has advanced.¹¹² In the alternative, district courts can dismiss a case without prejudice with leave to reinstate the action after the PTO has concluded its reexamination.¹¹³ The reexamination statutes do not expressly provide for a stay of litigation pending reexamination.¹¹⁴ Thus, courts possess an inherent authority to grant stays at their

¹⁰⁷ See *id.* The PTO noted that in the first office action the PTO cited the following publications in finding all ten claims of the '906 patent obvious: the Raggett I and Raggett II publications submitted by the W3C, an article by Timothy Berners-Lee entitled *Hypertext Markup Language*, an article by Kevin Reichard on extending the X window system, an article by Brad J. Cox on applying object oriented techniques to software to make it more tolerant to change, and prior art already cited in the '906 patent.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ See 37 C.F.R. § 1.113(a) (2004) (“On the second or any subsequent examination or consideration by the examiner the rejection or other action may be made final.”).

¹¹¹ 35 U.S.C. § 306 (2000).

¹¹² CHISUM, *supra* note 48, § 11.07[4][b][iv][C]; see, e.g., *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1341, 217 U.S.P.Q. (BNA) 985, 986 (Fed. Cir. 1983) (granting a stay of litigation pending reexamination and noting that “[t]he present stay is not for such a protracted or indefinite period as to render its issuance an abuse of discretion”); *Toro Co. v. L.R. Nelson Corp.*, No. 81-1019, 1984 WL 1244, at *1, 223 U.S.P.Q. (BNA) 636 (C.D. Ill. July 25, 1984) (noting that the length of time the litigation was pending and the fact that the second motion for summary judgment could be dispositive of the case militated against a stay).

¹¹³ See *Nye v. Sage Prods., Inc.*, No. 81 C 7031, 1986 U.S. Dist. LEXIS 21092, at *1 (N.D. Ill. Aug. 27, 1986) (stating that “[a]fter extensive pretrial discovery, the action was dismissed on October 3, 1983, without prejudice and with leave to reinstate pending conclusion of reexamination proceedings then underway before the Patent and Trademark Office”).

¹¹⁴ H. R. REP. NO. 96-1307, pt. 1, at 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463 (“[S]tay provisions are unnecessary in that such power already resides with the Court to prevent costly

own discretion.¹¹⁵ Courts are more likely to grant stays which are requested early in the litigation before substantial discovery and trial preparation¹¹⁶ and less likely to grant stays which are requested late in the litigation.¹¹⁷ In deciding whether to stay patent litigation proceedings pending reexamination, district courts usually consider the following factors: whether granting a stay would unduly prejudice or present a tactical disadvantage to the non-moving party, whether it would simplify the issues of the case, and whether the motion was filed early or late in the litigation.¹¹⁸

When a party requests reexamination following a trial, the institution of the reexamination proceeding is likely to have an effect on post trial motions and further proceedings. Indeed, in considering a reexamination request following a trial, the court confronts additional issues such as public interest considerations, balance of the equities, enhanced costs to parties, and costs to third parties.¹¹⁹

A. MOTION TO STAY ENTRY OF JUDGMENT PENDING REEXAMINATION

In a situation where a PTO reexamination occurs at the tail end of litigation or during post trial motions, a defendant in a patent infringement suit will most likely move to stay entry of judgment pending the outcome of the reexamination. In considering whether to grant a stay on the entry of judgment, courts usually consider the cost of avoiding an appeal and the costs imposed on the parties.¹²⁰

pretrial maneuvering which attempts to circumvent the reexamination procedure.”).

¹¹⁵ See, e.g., *Tap Pharm. Prods., Inc. v. Aterix Labs., Inc.*, No. 03 C 7822, 2004 WL 422697, at *2, 70 U.S.P.Q.2d (BNA) 1319, 1320 (N.D. Ill. Mar. 3, 2004) (“Determining whether to grant a stay pending the outcome of the PTO’s reexamination is a matter soundly within [the court’s] discretion.”); *Alloc, Inc. v. Unilin Decor N.V.*, No. 03-253-GMS, 2003 WL 21640372, at *1 (D. Del. July 11, 2003) (“The decision to stay a case is firmly within the discretion of the court.”).

¹¹⁶ See, e.g., *Tap Pharm.*, 2004 WL 422697, at *3 (granting a stay and noting that the case was in an early stage and finding no prejudice to the patentee despite possible expiration of the patent).

¹¹⁷ See, e.g., *Xerox Corp. v. 3Com Corp.*, 69 F. Supp. 2d 404 (W.D.N.Y. 1999) (refusing defense stay request because plaintiff would be prejudiced by delay since the case had been pending for two years at time of motion for stay, substantial discovery had been completed, dispositive motions had been filed, and the case was nearly ready for trial).

¹¹⁸ *O’Toole & Weimer supra* note 16, at 9; see also *Target Therapeutic, Inc. v. Scimed Life Sys., Inc.*, 1995 WL 20470, 33 U.S.P.Q.2d (BNA) 2022 (N.D. Cal. Jan. 14, 1995); *GPAC, Inc. v. D.W.W. Enters., Inc.*, 144 F.R.D. 60, 66, 23 U.S.P.Q.2d (BNA) 1129, 1134 (D. N.J. 1992); *United Sweetener USA, Inc. v. Nutrasweet Co.*, 766 F. Supp. 212, 217, 19 U.S.P.Q.2d (BNA) 1579, 1583 (D. Del. 1991).

¹¹⁹ See generally *Eolas III*, 2004 WL 170334, at *1 (“The reexamination is insufficient to warrant a stay on the entry of judgment and delay of the appeal at this time.”).

¹²⁰ See generally *Viskase Corp. v. Am. Nat’l Can Co.*, 261 F.3d 1316, 59 U.S.P.Q.2d (BNA) 1823 (Fed. Cir. 2001); *Eolas III*, 2004 WL 170334, at *1 (noting that staying entry of judgment would impose more significant costs on Eolas).

The court can avoid the cost of proceeding with an appeal if it grants a motion to stay entry of judgment and, during reexamination, holds that the patent is invalid or requires amendment.¹²¹ Such costs may be trivial in comparison to what the parties have already spent, however, since the parties have gone through considerable inconvenience.¹²²

When the court denies the motion to stay entry of judgment, the defendant in the patent infringement suit may need to expend considerable time and money to change its product or process to comply with the judgment.¹²³ For example, the defendant may devote resources to developing a new design and then testing and manufacturing the new product. If the PTO later concludes that the patent is invalid, the defendant will have incurred this expense for naught. The defendant can appeal the district court's decision, however, thereby delaying the effect of the judgment.¹²⁴ Even if the defendant chooses to rely upon the reexamination instead of appealing the court's decision, the impact on the defendant would be temporary once the PTO renders the patent invalid.

Costs to the patentee may be greater, however, especially if the patentee's only real asset is its patent.¹²⁵ The patentee's remedy will have been delayed for a substantial amount of time if the court finally finds the patent to be valid and infringed.¹²⁶ Moreover, the patentee's compensation will be delayed even further if the court grants a stay on the entry of judgment.

Reexamination proceedings are not necessarily short processes, especially where high profile patents are involved.¹²⁷ When higher stakes are involved, the PTO is more likely to engage in an extended and thorough reexamination process that will take more time to complete.¹²⁸ Subsequent appeals to the Board and to the Federal Circuit prolong a final decision and increase the delay in compensating the patentee. For these reasons, courts tend not to stay entry of judgment when reexamination is ordered well into the post trial motions.¹²⁹

¹²¹ See *Eolas III*, 2004 WL 170334, at *5 (noting that the costs of proceeding with an appeal are avoided if the '906 patent is "cancelled or gutted").

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Eolas IV*, 2005 WL 475391, at *1, 73 U.S.P.Q.2d (BNA) 1782 (Fed. Cir. Mar. 2, 2005).

¹²⁵ See *id.* (noting that staying entry of judgment until the PTO acts on the reexamination would impose more costs on *Eolas* since it is an entity whose only real asset is its patent).

¹²⁶ See *id.* (noting that *Eolas* has waited more than half a decade to be compensated).

¹²⁷ See *id.* (noting that, because of the '906 patent's high profile, a prudent reexaminer is unlikely to issue an opinion without an extended and thorough process).

¹²⁸ *Id.*

¹²⁹ See *id.* at *6 ("The reexamination is insufficient to warrant a stay on the entry of judgment and delay of the appeal at this time.").

B. STAYING THE INJUNCTION PENDING REEXAMINATION

After a final determination of infringement, the prevailing patent owner is entitled to a permanent injunction against the adjudicated infringer.¹³⁰ The right to an injunction is not automatic but is left to the discretion of the district court after considering the equities in a particular case.¹³¹ These equities usually include consideration of: “(1) whether the patentee would be irreparably harmed without an injunction; (2) whether the patentee has an adequate remedy at law; (3) whether granting the injunction is in the public interest; and (4) whether the balance of hardships favors an injunction.”¹³² A court need not give each factor equal weight; rather, the court must look to the “balance of harms” between the parties.¹³³ A court balances harms by assessing which party is injured more if the question of an injunction is wrongly decided.¹³⁴

1. *Staying the Injunction.* If a court wrongly stays the injunction, the patent owner loses some ability to exploit its invention for perhaps the next year or two.¹³⁵ This can translate into financial losses, lost research opportunities, lost market share, and loss to the patent holder’s reputation.¹³⁶ Even though the patent owner suffers irreparable harm, licensing the invention and receiving royalty payments from the accused infringer may help to make the patent owner whole.¹³⁷ If the infringer dominates the market, however, there is a possibility that the patent owner will be precluded from using or licensing its invention to others.¹³⁸

2. *Denying a Stay of the Injunction.* If a court wrongly denies a stay of the injunction the accused infringer will incur, at a minimum, the cost of designing

¹³⁰ Herbert F. Schwartz, *Injunctive Relief in Patent Cases*, 50 ALBANY L. REV. 565, 571 (1986); Note, *Injunctive Relief in Patent Infringement Suits*, 112 U. PENN. L. REV. 1025, 1041-48 (1964).

¹³¹ Roche Prods. Inc. v. Bolar Pharm. Co., 733 F.2d 858, 865, 221 U.S.P.Q. 937, 942 (Fed. Cir. 1984); Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp., 106 F. Supp. 2d 696, 700 (D. N.J. 2000).

¹³² *Boehringer*, 106 F. Supp. 2d at 700-01.

¹³³ *Id.* at 701; see also *Eolas III*, 2004 WL 170334, at *6 (“[W]here both granting and denying of the injunction will inflict irreparable injury, [the court] must look to the balance of harms between these two parties.”).

¹³⁴ *Foodcomm Int’l v. Barry*, 328 F.3d 300, 305 (7th Cir. 2003); *Eolas III*, 2004 WL 170334, at *6.

¹³⁵ Denying the injunction will coincide with the time period for the appeals and reexamination. See *Eolas III*, 2004 WL 170334, at *6.

¹³⁶ *Boehringer*, 106 F. Supp. 2d at 696.

¹³⁷ *Eolas III*, 2004 WL 170334, at *6.

¹³⁸ See *id.* (“Not only is there the presumptive irreparable harm, there is the possibility that Eolas will be precluded from using or licensing its technology to others because of Microsoft’s dominance of the browser market.”).

around the patent, testing and manufacturing the new product, and integrating the new product into the marketplace.¹³⁹ The accused infringer can minimize costs and losses, however, simply by paying royalties to the patent owner.

Another downfall of wrongly denying a stay of the injunction is the potential harm to the public.¹⁴⁰ An injunction “with respect to a product so widely used and deeply integrated into society,” as the web browser in question in *Eolas* presents a serious policy problem.¹⁴¹ A broad injunction could impose irreparable injuries on third party users such as monetary loss, loss of time, and interruption of work.¹⁴² For example, if Microsoft is enjoined from releasing new versions of its Windows operating system containing Internet Explorer, Microsoft users will have to modify their computing environments to adapt to the different technology available.¹⁴³

In many cases, the question of an injunction centers around competing public interests.¹⁴⁴ On the one hand, there is public interest in denying a stay of an injunction to ensure that a patent owner has an exclusive right to its patent.¹⁴⁵ On the other hand, courts have noted that “in cases where the infringing product is valuable to the public-at-large, there may be a public interest in [granting a stay of] the injunction.”¹⁴⁶ Loss of an inventor’s exclusive rights can cause irreparable injury that can be vindicated only by an injunction rather than damages.¹⁴⁷ In these difficult situations, a court may prefer to impose a specifically tailored, limited injunction.¹⁴⁸

¹³⁹ *Id.*

¹⁴⁰ *See id.* at *7 (“[T]o minimize the harm that a wrongly decided injunction would inflict on . . . the public, the scope of the injunction should be limited.”).

¹⁴¹ *Id.* at *6.

¹⁴² *Id.*

¹⁴³ *See id.* at *7 (suggesting that an appropriate injunction would preclude infringement only with respect to future conduct by Microsoft since infringements in the past should be remedied by damages). The court went on to state that “the future infringement is limited to new versions of Microsoft’s Windows operating system or any major service pack of any existing versions of the Windows operating system containing Internet Explorer that Microsoft releases to manufacturing.” *Id.*

¹⁴⁴ *Boebring*, 106 F. Supp. 2d at 705 (“Before granting or denying a request for a permanent injunction, a court must consider where the public interest lies.”); *see, e.g., Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1458, 7 U.S.P.Q.2d (BNA) 1191, 1201 (Fed. Cir. 1998) (holding that enjoining some products but not others is not an abuse of discretion).

¹⁴⁵ *Boebring*, 106 F. Supp. 2d at 705.

¹⁴⁶ *See cases cited supra* note 144.

¹⁴⁷ *Eolas III*, 2004 WL 170334, at *6 (“[I]nventors have a right (outweighed only by public health and safety needs and exercise of the taking power of government) to keep their invention to themselves, to share it with whom they choose or to completely preclude its use.”).

¹⁴⁸ *See, e.g., id.* at *7 (limiting the injunction to new versions of Microsoft’s Internet Explorer web browser technology and staying the effective date of the injunction “pending resolution or

C. STAYING APPELLATE REVIEW PENDING REEXAMINATION

Courts have an inherent power to stay proceedings,¹⁴⁹ including the authority to order a stay pending conclusion of a PTO reexamination.¹⁵⁰ This same authority exists to allow the Federal Circuit to order a stay of appellate review pending the conclusion of a PTO reexamination.¹⁵¹ This authority is imperative since the case of *Ethicon Inc. v. Quigg*,¹⁵² in which the Federal Circuit held that the PTO has no authority to stay reexaminations despite a federal regulation stating that “[i]f a patent in the process of ex parte reexamination is or becomes involved in litigation, the Director shall determine whether or not to suspend the reexamination.”¹⁵³

The issuance of a final federal court decision regarding patent validity during a reexamination procedure has no binding effect on the PTO’s reexamination process.¹⁵⁴ The *Quigg* court stated that the PTO is not bound by a court’s holding of patent validity and should proceed with the reexamination.¹⁵⁵ This is because the federal courts and the PTO use different standards of proof in determining

abandonment of appeal or a decision not to appeal”). Moreover, the court stated:

Eolas is entitled to an injunction even if the balance of harms would . . . counsel against injunction and even if the public interest (excluding health and safety) would weigh against it. However, to minimize the harm that a wrongly decided injunction would inflict on Microsoft and on the public, the scope of the injunction should be limited.

Id. at *7; see also *Atlas Powder Co. v. Ireco Chem.*, 773 F.2d 1230, 1233, 227 U.S.P.Q. (BNA) 289, 292 (Fed. Cir. 1985) (“While monetary relief is often the sole remedy for past infringement, it does not follow that a money award is also the sole remedy against future infringement.”).

¹⁴⁹ See, e.g., *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936) (explaining that “[t]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel and for litigants” and “[h]ow this can be best done calls for the exercise of judgment, which must weigh competing interests and maintain an even balance”).

¹⁵⁰ See, e.g., *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342, 217 U.S.P.Q. (BNA) 985, 986 (Fed. Cir. 1983).

¹⁵¹ See *Ethicon Inc. v. Quigg*, 849 F.2d 1422, 1426-27, 7 U.S.P.Q.2d (BNA) 152, 155 (Fed. Cir. 1988) (noting that courts “have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO examination”).

¹⁵² *Id.* at 1427 (stating that Congress does not give the PTO Commissioner the authority to stay reexaminations but only to conduct them with special dispatch).

¹⁵³ 37 C.F.R. § 1.565(b) (2004). The PTO conducts its proceedings in accordance with regulations set out in Title 37 of the Code of Federal Regulations and the Manual of Patent Examining Procedure (MPEP). But see *Quigg*, 849 F.2d at 1425 (“[T]he courts are the final authorities on issues of statutory construction.”).

¹⁵⁴ *Quigg*, 849 F.2d at 1428.

¹⁵⁵ *Id.* at 1429.

invalidity,¹⁵⁶ and thus, given the same evidence, could reach different conclusions. Specifically, before the courts a patent is presumed valid and the challenger must show invalidity by clear and convincing evidence,¹⁵⁷ whereas in a reexamination proceeding there is no presumption of validity and the challenger can show invalidity by only a preponderance of the evidence.¹⁵⁸

As previously stated, the reexamination statute does not expressly provide for a stay of court proceedings pending the outcome of a patent reexamination.¹⁵⁹ In exercising its inherent authority, a district court will consider a number of factors in order to decide whether to stay litigation.¹⁶⁰ These factors include (1) the technical expertise of the PTO, (2) the probable effect of the stay on the litigation, (3) the dilatory motives in seeking the reexamination or the stay, and (4) the prejudice to patent owners.¹⁶¹ After balancing these factors, a court will grant a motion to stay litigation if the benefits of granting the stay outweigh the burdens.¹⁶²

Courts may consider additional factors in determining whether to grant a stay.¹⁶³ For example, the reason for the appeal is an additional factor that the Federal Circuit will likely consider in deciding whether to grant a stay. The following discussion focuses on the factors identified above and is limited specifically to the question of staying appellate review pending a PTO reexamination.

1. *Technical Expertise of the PTO.* Courts generally consider the PTO's expertise in determining whether to stay its proceedings.¹⁶⁴ Because of its examiners' technical acumen, courts perceive the PTO as being in a better position to assess patent validity issues.¹⁶⁵ If a validity issue is not highly technical, even on appeal the Federal Circuit is less likely to need the PTO's expertise and may opt to

¹⁵⁶ *In re Etter*, 756 F.2d 852, 856, 225 U.S.P.Q. (BNA) 1, 4 (Fed. Cir. 1985).

¹⁵⁷ 35 U.S.C. § 282 (2000); *Quigg*, 849 F.2d at 1427.

¹⁵⁸ *In re Etter* 756 F.2d at 857; *Quigg*, 849 F.2d at 1427.

¹⁵⁹ H.R. REP. NO. 96-1307, pt. 1, at 4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6463.

¹⁶⁰ Steven M. Auvil, *Staying Patent Validity Litigation Pending Reexamination: When Should Courts Endeavor to Do So?*, 41 CLEV. ST. L. REV. 315, 331 (1993); Wayne O. Stacy, *Reexamination Reality: How Courts Should Approach a Motion to Stay Litigation Pending the Outcome of Reexamination*, 66 GEO. WASH. L. REV. 172 (1997).

¹⁶¹ Steven M. Auvil, *Staying Patent Validity Litigation Pending Reexamination: When Should Courts Endeavor to Do So?*, 41 CLEV. ST. L. REV. 315, 331 (1993); Stacy, *supra* note 160.

¹⁶² Auvil, *supra* note 160, at 331.

¹⁶³ Stacy, *supra* note 160, at 178.

¹⁶⁴ See, e.g., *Quigg*, 849 F.2d at 1427; *GPAC, Inc.*, 144 F.R.D. at 63.

¹⁶⁵ See, e.g., *Quigg*, 849 F.2d at 1427 (stating that the PTO's expertise does not exist elsewhere); *GPAC, Inc.*, 144 F.R.D. at 63 (stating that the PTO is in "a better position to evaluate the [patent at issue]" and that the "requisite technical acumen is better represented in the PTO").

proceed with the appeal instead.¹⁶⁶ Moreover, the court will be more efficient and better equipped to assess nonvalidity issues in the case when it has received a technical evaluation arising out of a prior PTO reexamination.¹⁶⁷

2. *Probable Effect of a Stay on Appellate Review.* The Federal Circuit is also likely to consider the effect that a stay pending reexamination will have on appellate review.¹⁶⁸ Besides reducing the expense of appellate review,¹⁶⁹ granting a stay pending reexamination may simplify the appellate proceedings.¹⁷⁰

A court often will grant a reexamined patent an enhanced presumption of validity.¹⁷¹ For a patent to even qualify for reexamination, a substantial new question of patentability of one or more claims must exist.¹⁷² The scope of the reexamination is limited to the issues of patentability that are based on the prior and newly presented, printed publications.¹⁷³ When the PTO upholds the patent's validity, the patent emerges more robust since the patent has been expanded to include the new prior art.

If both parties to the litigation fully participate in the reexamination, the PTO's determination of the validity of the patent is final and cannot be relitigated.¹⁷⁴ In such a situation, the party requesting reexamination has had a chance to participate fully and thus the doctrine of res judicata applies to attach a irrebuttable presumption of validity to the patent.¹⁷⁵

¹⁶⁶ Cf. *Freeman v. Minnesota Mining & Mfg. Co.*, 661 F. Supp. 886, 888, 4 U.S.P.Q.2d (BNA) 1574, 1576 (D. Del. 1987) (stating that staying litigation pending the outcome of reexamination is not necessary when the issues are not highly technical in nature).

¹⁶⁷ See generally *Xerox Corp. v. 3Com Corp.*, 267 F.3d 1361, 60 U.S.P.Q.2d (BNA) 1526 (Fed. Cir. 2001) (considering reexamination evidence in reversing a finding of noninfringement).

¹⁶⁸ Cf. *Emhart Indus. Inc. v. Sankyo Seiki Mfg. Co.*, No. 85 C 7565, 1987 U.S. Dist. LEXIS 15033, at *11, 3 U.S.P.Q.2d (BNA) 1889, 1892 (N.D. Ill. 1987) ("[T]he end result of the reexamination proceedings will be to simplify the issues and reduce the complexity of trial.").

¹⁶⁹ This is especially true if the reexamination resolves the validity issues such that the appeal can be dismissed or the technical claim questions are resolved, thus narrowing the triable issues that remain on appeal. See, e.g., *Xerox*, 267 F.3d at 1361 (providing an example of where, after the PTO resolved the issue of patent validity, only the issue of infringement remained on appeal).

¹⁷⁰ Cf. *Emhart Indus. Inc.*, 1987 U.S. Dist. LEXIS 15033, at *11. Moreover, the outcome of a reexamination proceeding can often induce a settlement, making the appeal unnecessary. See *id.* at 1890.

¹⁷¹ *CHISUM*, *supra* note 48, § 11.07[4][f][iii]; see, e.g., *Custom Access, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 961, 1 U.S.P.Q.2d (BNA) 1196, 1200 (Fed. Cir. 1986).

¹⁷² See *supra* note 36 and accompanying text.

¹⁷³ 37 C.F.R. § 1.552(a) (2004); *In re Eiter*, 757 F.2d at 856; see also *CHISUM*, *supra* note 48, § 11.07[4][c][ii] ("The substantial new patentability question must arise from patents or publications, not from other sources 'such as public use or sale, inventorship . . . fraud, etc.'").

¹⁷⁴ See 35 U.S.C. § 315 (2000).

¹⁷⁵ *Osenga*, *supra* note 10, at 230.

3. *Dilatory Motives in Seeking the Reexamination or the Stay on Appellate Review.* In determining whether to grant a stay, the Federal Circuit is likely to consider whether granting a stay would award one party an unfair tactical advantage over the other.¹⁷⁶ In its analysis, the court is likely to examine the likelihood of an accused infringer using reexamination as a tactic to either avoid an adverse ruling¹⁷⁷ or to force the patentee to expend additional resources in defending the patent.¹⁷⁸ For example, in *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, the court refused to stay a case involving patent validity and infringement pending a PTO reexamination when the case had been tried, appealed, and remanded.¹⁷⁹ The court stated that “where such a stay could result in a tactical advantage to one party or the other, this Court will not employ its discretion to stay the ordinary course of its proceedings simply because the outcome of the Patent Office proceeding *may* moot the issues remanded.”¹⁸⁰ Even though this case concerned staying trial litigation rather than an appellate review, it demonstrates that federal courts recognize that the effects of patent reexamination on litigation must be limited in order to avoid an abuse of the reexamination system.

4. *Prejudice to Patent Owners.* The Federal Circuit is also likely to consider the extent to which the patent owner is prejudiced in determining whether to delay appellate review pending reexamination.¹⁸¹ If the patent owner seeks a stay of the appellate review, then there is no real issue facing the court.¹⁸² When the accused infringer is the one seeking a stay of appellate review, the court is more likely to grant the stay if the district court awarded the patent owner an appropriate legal remedy such as money damages, injunctive relief, or both.¹⁸³ If the patent owner

¹⁷⁶ Cf. *Freeman*, 661 F. Supp. at 888 (stating that granting a stay “would be to allow a defendant to use the reexamination as a mere dilatory tactic”); *Toro*, 1984 WL 1244, at *2.

¹⁷⁷ See *Freeman*, 661 F. Supp. at 888 (noting that a defendant may try to avoid an adverse ruling by seeking reexamination).

¹⁷⁸ Cf. *Robert H. Harris Co. v. Metal Mfg. Co.*, No. J-C-90-179, 1991 WL 217666, at *4, 19 U.S.P.Q.2d (BNA) 1786, 1789 (E.D. Ark. 1991) (noting that patent owners objecting to an accused infringer’s motion for stay often argue that the infringer “seeks a stay solely to prolong the litigation and increase [the patent owner’s] costs”).

¹⁷⁹ 711 F. Supp. 1205, 11 U.S.P.Q.2d (BNA) 1081 (D. Del. 1989).

¹⁸⁰ *Id.* at 1208 n.9.

¹⁸¹ See, e.g., *Wayne Automation Corp. v. R.A. Pearson Co.*, 782 F. Supp. 516, 20 U.S.P.Q.2d (BNA) 1718 (E.D. Wash. 1991) (noting that this is true when the accused infringer has motioned to stay the appellate review pending outcome of the reexamination and the patent owner opposes the motion but not when a patent owner seeks reexamination during litigation as an alternative means to resolve the validity dispute).

¹⁸² *Id.*

¹⁸³ Cf. *Emhart Indus. Inc.*, 1987 U.S. Dist. LEXIS 15033, at *1 (granting stay when damages were held adequate to compensate the patentee); *Robert H. Harris Co.*, 1991 WL 217666, at *1.

received a modified remedy, such as a limited injunction,¹⁸⁴ however, he may face undue prejudice if the court decides to delay the appeal since the primary means of protecting a patent owner's rights is by completely enjoining further infringing activities. In this situation, to truly make an injured patent owner whole, the court is faced with attempting to swiftly resolve the appeal or denying the stay of appellate review altogether.

5. *Reason for the Appeal.* Finally, the Federal Circuit is likely to consider the reason for the appeal in deciding whether to stay appellate review. In particular, the court is likely to examine what sort of issues the litigant is appealing. If the issues are more procedural in nature—such as error in jury instructions, error in admitting or excluding expert testimony or evidence, or excessive damages—the court is less likely to stay appellate review pending a reexamination outcome than if the issues are substantive in nature.¹⁸⁵

Substantive issues provide more of a challenge for the court in determining whether to stay appellate review. For nonvalidity issues, such as whether the patent is unenforceable¹⁸⁶ or infringed, there is no need to stay appellate review since the court, and not the PTO, decides these issues.¹⁸⁷ Further, the court need not stay appellate review for issues unrelated to the validity of the patent. In these cases, the patent is not invalid per se, but is only invalid because of what the patent owner has done or failed to do.¹⁸⁸ Issues such as these are outside the scope of the PTO.¹⁸⁹ Finally, the court may consider staying appellate review when facing issues concerning the validity of the patent itself in light of the prior art. These are the same validity issues that the PTO faces in reexamining a

¹⁸⁴ Courts grant limited injunctions as a way to balance the competing interests of protecting a patentee's exclusive rights and the public's interest in the infringing product. See *supra* notes 144-48 and accompanying text.

¹⁸⁵ *Eolas IV*, 2005 WL 475391, at *1

¹⁸⁶ A successful defense of inequitable conduct, for example, can render all the claims of the asserted patent unenforceable for the life of the patent. Behavior that can give rise to inequitable conduct includes submitting false information, submitting misleading information, misrepresenting information, and not disclosing information during the prosecution of the patent. See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944); see also 37 C.F.R. § 1.56 (2004).

¹⁸⁷ See 35 U.S.C. § 271 (2003).

¹⁸⁸ Two examples are the on-sale bar and the public use bar. See 35 U.S.C. § 102(b) (2003) (stating that a patent applicant must not have sold the invention or made public use of the invention more than one year before he filed his patent application).

¹⁸⁹ See 37 C.F.R. § 1.552(c) (indicating that reexamination requests may not raise any question requiring proof other than a patent or printed publication); CHISUM, *supra* note 48, § 11.07[4][c][iii] (describing patentability issues that are not based on prior printed publications).

patent.¹⁹⁰ Thus, the court may benefit from the PTO's evaluation and is likely to stay the appellate review as long as the resulting delay is not excessive.

V. PROPOSAL FOR DETERMINING WHETHER A PATENT QUALIFIES FOR REEXAMINATION POST TRIAL LITIGATION

In order to effectuate the goals of the patent reexamination system, Congress should amend the patent reexamination statute to include guidelines for when a patent is precluded from reexamination after litigation and rendering of a verdict. Specifically, the PTO should deny a reexamination request that is submitted after litigation has ended—even assuming that there is a substantial new question of patentability—in several situations.¹⁹¹ First, the PTO should deny a reexamination request if the requester cites prior art references that were presented or acknowledged during litigation. In other words, the requester should not be able to present the same prior art references that were involved in the litigation. This standard should apply to either a party to the litigation or a third party.

Second, the PTO should deny a reexamination request if it granted a reexamination of the patent during litigation regardless of whether the litigation was stayed and regardless of the outcome of the trial. Eliminating the ability to file successive reexamination requests on the same patent will help to prevent abuse of the reexamination procedure and avoid a delay of the final outcome of the case. This standard also should apply to either a party to the litigation or a third party.

Third, in cases where the requester cites newly discovered prior art and the patent has never been reexamined or was reexamined before litigation commenced, the PTO should not grant a reexamination unless the requester can prove that the prior art references were unavailable at the time of the litigation proceedings. In other words, the PTO should deny reexamination when the cited prior art references were in the public domain yet the requester failed to point them out in litigation. Again, this standard should apply to either a party to the litigation or a third party.

VI. ANALYSIS OF PROPOSED GUIDELINES AND CONCLUSIONS

Currently, the reexamination procedures dictate that the PTO deny a reexamination request when there is no substantial new question of

¹⁹⁰ *In re Etter*, 756 F.2d at 856 (holding that during a reexamination, the PTO is limited to a review of prior art patents and publications).

¹⁹¹ See *supra* note 36 and accompanying text.

patentability,¹⁹² or when the request is based on any issues that were or could have been raised in an earlier reexamination or patent suit in which the requester did not prevail.¹⁹³ The reexamination procedures do not preclude the assertion of invalidity based on newly discovered prior art that was unavailable to the requester.¹⁹⁴ The guidelines in their present form, however, do not adequately address the policy considerations behind reexamining patents post litigation.

By amending the reexamination statute as detailed previously, Congress would allow the reexamination process to yield a more fair and efficient determination of whether a patent should be reexamined after litigation proceedings. The ability of the PTO to outright deny reexamination requests when certain conditions are met will help provide notice to the public on the finality of a patent's validity. Furthermore, the ability of the PTO to apply the proposed amendments to anyone—either a party to the litigation or a third party—will help prevent strategic abuse of the reexamination system. For example, consider how the proposed amendments would prevent a situation where the patent defendant engages a neutral third party to request a reexamination on his behalf when the estoppel provision prevents the defendant from doing so himself. Finally, the ability of the PTO to deny a reexamination request only when cited prior art references are unavailable will encourage a party discovering new prior art on which reexamination might be based to reveal it promptly.

One final concern that must be addressed is that, in certain situations, the proposed guidelines could unfairly prevent a third party who was not a party to the litigation from obtaining a reexamination. Unlike the third party, the parties involved would have had ample opportunity to prove their cases via expert testimony, witnesses, and other means. At first glance, it thus appears as if the proposed guidelines could undermine the policy concerns prompting Congress to enhance the rights of third parties in the first place. On further analysis, it is significant that these guidelines only apply to requests made after litigation. Outside of the current limitations in the reexamination system, nothing will prevent a third party from seeking a reexamination while litigation is pending. Additionally, the right of the patent owner to exclude others from his invention may justifiably outweigh any concern for the third party since our patent system purposefully confers a limited monopoly to inventors in order to encourage innovation. Even though Microsoft may prevail in the infringement lawsuit without the aid of the PTO's ruling, the *Eolas* case reveals policy issues that may arise when a PTO reexamination is requested after the rendering of a verdict. As

¹⁹² See *supra* note 36 and accompanying text.

¹⁹³ See *supra* notes 70-72, 77-78 and accompanying text.

¹⁹⁴ 35 U.S.C. § 317(b) (2000).

such, Congress should amend the reexamination statute to realize its goal of fairness and efficiency for all parties.

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