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STAYING PATENT VALIDITY LITIGATION PENDING REEXAMINATION: WHEN SHOULD COURTS ENDEAVOR TO DO SO?

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I. THE CONTEXT

The Patent Clause of the Constitution of the United States grants Congress the power to afford to inventors a limited monopoly over their discoveries.¹ Congress acted on this authority by promulgating the Patent Act, codified in Title thirty-five of the United States Code.² The patent grant presently confers upon the owner the right to exclude others from making, using, or selling the invention in the United States for a period of seventeen years.³

¹U.S. CONST. art. I, § 8, cl. 8 states, in part, that "[t]he Congress shall have power . . . [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[.]" For a discussion of this clause as part of the constitutional scheme see Karl Fenning, *The Origin of the Patent and Copyright Clause*, 11 J. PAT. & TRADEMARK OFF. SOC'Y 438 (1929).

²35 U.S.C. §§ 1-376 (1988).

³35 U.S.C. § 154 (1988) provides, in part, that "[e]very patent shall contain . . . a grant to the patentee. . . for the term of seventeen years. . . the right to exclude others from making, using, or selling the invention throughout the United States. . . ." See generally

The *quid pro quo* for the rights obtained under a patent is that the applicant must disclose to the public the best mode of reproducing the invention and in terms that will enable one skilled in the particular field to make and use the same discovery.⁴ For the patent to issue, the invention must be of a patentable subject matter⁵ and satisfy the statutory requirements of novelty,⁶ utility,⁷ and nonobviousness.⁸ The applicant must sufficiently demonstrate that each of these elements is present in the patent application.⁹ Ultimately, the Patent Office¹⁰ Examiner will render the patentability determination by way of an *ex*

Donald Y. Turner, *The Patent System and Competitive Policy*, 44 N.Y.U. L. REV. 450 (1969) (discussing the social and economic bases of the patent system).

A patent typically sets forth a number of distinct claims that describe the invention. Claims identify the bounds of the technical area within which the patent owner has the exclusive rights. The claims are akin to the metes and bounds of a deed of real property, defining the precise dimensions of ownership in the property. J. THOMAS MCCARTHY, MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 40 (1991). See generally 2 PETER D. ROSENBERG, PATENT LAW FUNDAMENTALS §§ 14.01-14.11 (1991 rev.). Patents, however, have the attributes of personal property and, thus, may be assigned or licensed to others. 35 U.S.C. § 261 (1988).

435 U.S.C. § 112 (1988). See generally ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT § 5.3 (2d ed. 1991).

⁵ See, e.g., *Jones v. Hardy*, 727 F.2d 1524, 1528 (Fed. Cir. 1984) (stating mere ideas are nonpatentable subject matter); *RCA Corp. v. Applied Digital Data Sys., Inc.*, 730 F.2d 1440, 1445 n. 5 (Fed. Cir. 1984) (positing abstractions or concepts are not capable of receiving patent protection). See generally 3 DONALD S. CHISUM, PATENTS § 10.04 (1990 rev.).

⁶ 35 U.S.C. §§ 101, 102 (1988). An invention is novel (or not anticipated) when no prior art reference contains every element of the claimed invention. See *Lewmar Marine, Inc. v. Barient, Inc.*, 827 F.2d 744, 74748 (Fed. Cir. 1987). See generally HARMON, *supra* note 4, at § 3.2.

⁷ 35 U.S.C. § 101 (1988). The utility requirement is satisfied when an operable invention is capable of use and performs some societal function that is not clearly illegal. *Anderson v. Natta*, 480 F.2d 1392, 1396 (C.C.P.A. 1973). See generally 1 CHISUM, *supra* note 5, at § 4.01; 2 ROSENBERG, *supra* note 3, at §§ 8.00-8.06.

⁸ 35 U.S.C. § 103 (1988). The standard of nonobviousness as set forth by the Supreme Court requires a fourstep factual inquiry: (1) determining the scope and content of the prior art; (2) examining the difference between the invention and the prior art; (3) determining the level of ordinary skill in the art at the time of the invention; and (4) considering the objective evidence of so-called secondary considerations, including commercial success, unexpected results, and long felt need. *Graham v. John Deere Co.*, 383 U.S. 1, 11 (1966); see also *Vandenberg v. Dairy Equipment Co.*, 740 F.2d 1560, 1564 (Fed. Cir. 1984). Upon compiling this information, it must be determined whether the discovery would have been obvious to the hypothetical person in the art with ordinary skill. See generally 2 CHISUM, *supra* note 5, at §§ 5.035.05; 2 ROSENBERG, *supra* note 3, at §§ 9.009.05.

⁹ See, e.g., *Graham v. John Deere Co.*, 383 U.S. 1, 11 (1966).

¹⁰ The Patent Office is a division of the Patent and Trademark Office, an administrative agency within the Department of Commerce. 35 U.S.C. § 1 (1988). The head agency official is the Commissioner of Patents and Trademarks [hereinafter

parte examination,¹¹ performed in confidence with the participation of the applicant.¹² The examiner will compare the claimed invention to the prior art in order to ascertain whether the criteria have been satisfied so as to allow the issuance of a patent.¹³

If the applicant satisfies the statutory requirements for invention, the applicant will be awarded a patent.¹⁴ Thereafter, the validity of the patent may be brought into question based on alleged infirmities associated with the initial Patent Office examination.¹⁵ The Patent Act of 1980,¹⁶ effective July 1, 1981, introduced an administrative patent reexamination procedure designed to resolve certain patent validity questions.¹⁷ According to the United States Circuit Court of Appeals for the Federal Circuit (hereinafter Federal Circuit),¹⁸

Commissioner] who is appointed by the President with the advice and consent of the Senate. 35 U.S.C. § 3(a) (1988).

¹¹35 U.S.C. § 131 (1988). An examiner is a Patent Office employee of competent legal knowledge and scientific ability to undertake the task of passing upon applications for patents. 35 U.S.C. § 7(a) (1988); 37 C.F.R. § 1.101(a) (1992). *See generally* HARMON, *supra* note 4, at § 13.1.

¹²35 U.S.C. § 122 (1988).

¹³Prior art is the available corpus of technological information that can be drawn upon by an inventor at any one time. The process of obtaining the grant of a patent, which involves periodic correspondence between the Patent Office and the applicant or his or her agent, is known as patent prosecution. *See generally* 2 CHISUM, *supra* note 5, at § 5.03; HARMON, *supra* note 4, at § 13.1; 2 ROSENBERG, *supra* note 3, at §§ 15.00-15.11.

¹⁴35 U.S.C. § 151 (1988).

¹⁵*See infra* notes 22-24 and accompanying text.

¹⁶Act to Amend the Patent and Trademark Laws, Pub. L. No. 96-517, 94 Stat. 3015 (1980) (codified as amended as Prior Art Citations to Office and Reexamination of Patents at 35 U.S.C. §§ 301-307 (1988)). *See generally* Kenneth R. Adamo, *Patent Reexamination*, 58 CHI.-KENT L. REV. 59 (1982).

¹⁷*See generally* H.R. REP. No. 96-1307 Part 1, 96th Cong., 2d Sess. 17 (1980), *reprinted in* 1980 U.S. CODE CONG. & AD. NEWS 6460, 6463 [hereinafter House Report].

¹⁸The Federal Circuit has had considerable influence on the growth and vitality of reexamination as an element of our patent system. Created by the Federal Courts Improvement Act, it is a specialized court formed by combining the Court of Customs and Patent Appeals (CCPA) and the U.S. Court of Claims. *See* Federal Court Improvement Improvements Act, Pub. L. No. 97164, 96 Stat. 25 (1982) (relevant provisions codified as amended in scattered sections of 28 U.S.C. (1988)) [hereinafter FCIA]. Its charter, effective October 1, 1982, granted the court exclusive appellate jurisdiction over all claims involved in patent infringement suits which arise in the districts across the nation and over patent application proceedings and interference proceedings which come before the Board of Patent Appeals and Interferences. 35 U.S.C. § 1295 (1988). The proponents of the FCIA legislation hoped that a single appellate forum would create predictability and uniformity in the patent laws, which would effectively eliminate forum shopping and foster technological growth and innovation. *See* Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 7 (1989) (reviewing the successes and failures of the Federal Circuit as a specialized tribunal and suggesting how the court can more coherently fit into the

The [reexamination] bill's proponents foresaw three principal benefits. First, the new procedure could settle validity disputes more quickly and less expensively than the often protracted litigation involved in such cases. Second, the procedures would allow courts to refer patent validity matters to the expertise of the Patent Office. . . . Third, reexamination would reinforce "inventor confidence in the certainty of patent rights" by affording the PTO a broader opportunity to review "doubtful patents". . . .¹⁹

The so-called "reexamination procedure" thus permits the Patent Office to reconsider certain matters affecting the validity of the patent which may have escaped review during the course of examining the initial application.²⁰

Reexamination of a patent may occur in two principal scenarios. In one context, the patent owner, concerned with the integrity of the initial examination, independently pursues reexamination in order to remove any doubt associated with the validity of issued patent claims. Another more common context, on which this Note will focus, occurs when reexamination is sought during litigation in which the validity of a patent is called into question. In either situation, the Patent Office will reach a decision in the reexamination that reaffirms, disaffirms, or revises its earlier conclusions as to patentability.

Litigation involving the validity of an issued patent occurs exclusively in federal court.²¹ Validity can be called into question either in a suit for infringe-

judicial system); see also Lawrence G. Kastriner, *The Revival of Confidence in the Patent System*, 73 J. PAT. & TRADEMARK OFF. SOC'Y 5, 13 (1991) ("as a result of profound changes in public policy, legislation and judicial decisions, [the patent system] has been transformed from a weak incentive to invent into a powerful weapon for protecting inventions"); see generally 2 HARMON, *supra* note 4, at §§ 14.1-15.2.

¹⁹Patlex Corp. v. Mossinghoff, 758 F.2d 594, 602 (Fed. Cir. 1985), *modified, reh'g denied*, 771 F.2d 480 (Fed. Cir. 1985) (citations omitted) (quoting 126 Cong. Rec. 29,895 (1980) (statement of Rep. Kastenmeier)).

²⁰4 ERNEST BAINBRIDGE LIPSCOMB III, LIPSCOMB'S WALKER ON PATENTS § 15.2 (3d ed. 1986). Another procedure that is broader in scope - known as "reissue" - is available as an alternative to reexamination. 35 U.S.C. § 251 (1988). It involves, essentially, a re prosecution of all of the claims of a patent. A reissue may be sought by a patent owner because the original claims are (1) too narrow and do not adequately protect the true scope of the invention; or (2) too broad and are invalid as claiming some aspects of prior art not invented by the patentee. HARMON, *supra* note 4, at § 13.3.

²¹28 U.S.C. § 1338(a) (1988).

ment²² or an action for a declaratory judgment.²³ The issue generally arises by way of a challenge that, in view of newly discovered evidence, the statutory requirements of patentability i.e., novelty, utility and nonobviousness, were not satisfied.²⁴ The party challenging the validity of the patent has the burden of overcoming the presumption of validity that attaches to each patent claim²⁵ by clear and convincing evidence.²⁶ If the challenger fails to meet its burden, the patent does not thereby become valid. Rather, validity is sustained unless and until another challenger can overcome the rebuttable presumption.²⁷

Reexamination serves to benefit a court by relieving it of the need to litigate certain difficult questions of patentability without first obtaining an opinion

2235 U.S.C. § 271(a) (1988) provides, in part, that "whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent." The remedies available to a patent owner whose rights have been infringed include damages, injunctive relief, and attorneys' fees. 35 U.S.C. §§ 283-85 (1988). See generally 5 CHISUM, *supra* note 5, at §§ 20.03-.04.

An accused infringer may, however, have an affirmative defense. 35 U.S.C. § 282 (1988) states that "[t]he following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement or unenforceability, (2) *Invalidity of the patent or any claim in suit on any ground specified . . . as a condition for patentability.*" (emphasis added). See generally HARMON, *supra* note 4, at §§ 6.1-6.5. See also Ronald D. Hatman, *Patent Infringement*, 72 J. PAT. & TRADEMARK OFF. SOC'Y 454 (1990).

²³The declaratory judgment remedy may allow an accused infringer to preempt an infringement suit commenced by the patent owner. 28 U.S.C. § 2201 (1988) provides, in part, that "[i]n a case of actual controversy within its jurisdiction, . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration . . ." The standard used in determining whether an actual case or controversy exists in a declaratory judgment action involving patents is two-pronged. "First, the defendant's conduct must have created on the part of the plaintiff a reasonable apprehension that the defendant will initiate suit if the plaintiff continues the allegedly infringing activity. Second, the plaintiff must actually have either produced the device or have prepared to produce that device." *Goodyear Tire & Rubber v. Releasomers*, 824 F.2d 953, 955 (Fed. Cir. 1987). For a discussion of the framework and inherent limitations of reexamination that the patent challenger must face see William J. Sperenza & Michael L. Goldman, *Reexamination -The Patent Challenger's View*, 15 AIPLA Q.J. 85 (1987).

²⁴See *supra* notes 6-8 and accompanying text.

²⁵35 U.S.C. § 282 (1988). The presumption of validity is premised upon the acknowledged expertise of the Patent Office in deciding questions of patentability. *Dresser Indus., Inc. v. Ford Motor Co.*, 530 F. Supp. 303, 310 (N.D. Tex. 1981); see also *infra* part IV, A; see generally HARMON, *supra* note 4, at § 1.5 (presumption of validity is a rule of procedure which places the burden of persuasion on him who attacks a patent's validity).

²⁶E.g., *Hybritech Inc. v. Monoclonal Antibodies, Inc.* 802 F.2d 1367, 1375 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987).

²⁷*Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1569-70 (Fed. Cir. 1987) ("It is neither necessary nor appropriate for a court to declare a patent valid. A trial court is required by Congress, . . . to say only whether the patent challenger carried its burden of establishing invalidity *in the particular case before the court.* . . ." (emphasis supplied)), *cert. denied*, 481 U.S. 1052 (1987).

from the Patent Office.²⁸ Along with this feature, the legislative history of the statute identifies fairness and efficiency as objectives that may be achieved through the reexamination procedure:

The cost incurred in defensive patent litigation sometimes reaches \$250,000 for each party, an impossible burden for many smaller firms. The result is a chilling effect on those businesses and independent investors who have repeatedly demonstrated their ability to successfully innovate and develop new products. A new patent reexamination procedure is needed to permit the owner of a patent to have the validity of his patent tested in the Patent Office where the most expert opinions exist at a much reduced cost. Patent Office reexamination will greatly reduce, if not end, the threat of legal costs being used to "blackmail" such holders into allowing patent infringements or being forced to license their patents at nominal fees.²⁹

Although the merits of reexamination are legion,³⁰ Congress expressly chose not to include a provision that would require district courts to stay litigation involving patent validity pending the outcome of the reexamination proceeding.³¹ Congress believed that courts, which possess the inherent power to stay their proceedings,³² are better positioned to make such a decision on a case-by-case basis by reference to the particular facts and circumstances present.³³

This note will discuss the circumstances under which it is appropriate for a court to exercise its authority to stay patent validity litigation pending reexamination of the patent-in-suit.³⁴ The question must be analyzed with due regard to the unique relationship that exists between Patent Office reexamination and district court litigation. As a point of departure, the note explains the substance and procedure of statutory reexamination. Secondly, it will discuss the possible effects that reexamination may have on concurrent litigation in a district court. Thirdly, the note will examine the discernible factors that courts have considered in deciding whether to suspend litigation pending a result from reexamination. Fourthly, it will offer guidelines as to how

²⁸HARMON, *supra* note 4, at § 5.3.

²⁹House Report, *supra* note 17, at 6463. For a discussion of the factors an accused infringer should consider in deciding whether or not to take a license under the patent see Steven Z. Szczepanski, *Licensing or Settlement: Deferring the Fight to Another Day*, 15 AIPLA Q.J. 298 (1987).

³⁰See *infra* note 165.

³¹See *infra* notes 104-06 and accompanying text.

³²See *infra* text accompanying notes 94-95.

³³See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988).

³⁴This note supersedes Robert W. Fieseler, *Staying Litigation Pending Reexamination of Patents*, 14 LOY. U. CHI. L.J. 279 (1983) which surveyed the theme shortly after the reexamination statute was enacted.

a court will likely dispose of the issue in view of the interests and policies involved; and, in addition, it will offer an omnibus standard for deciding the question, which is formulated consistent with precedent. Lastly, the note recapitulates the context in which the subject issue arises and identifies the over-arching policy considerations that are implicated in the decision-making process.

II. THE PROCESS OF REEXAMINATION

The substance and procedure of reexamination is provided for in the Patent Act,³⁵ the U.S. Code of Regulations³⁶ and the Patent Office procedures.³⁷ A general overview of the reexamination framework provides instructive guidance.³⁸

A. Request for Reexamination

Any person has standing to file a request for the reexamination of any patent claim issued by the Patent Office.³⁹ The request may be made on the basis of prior art, in the form of patents or printed publications,⁴⁰ that the party making

³⁵35 U.S.C. §§ 301-07 (1988). The reexamination statute withstood constitutional scrutiny in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599-605 (Fed. Cir. 1985) (due process and right to trial by jury not offended), *modified, reh'g denied*, 771 F.2d 480 (Fed. Cir. 1985).

³⁶37 C.F.R. §§ 1.501-1.570 (1992).

³⁷Patent Office examiners rely on UNITED STATES PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINATION PROCEDURE §§ 2201-2294 (Rev. 12, July 1989) [hereinafter cited as MPEP] as a detailed source from which to conduct the reexamination proceeding. Although the MPEP does not have the force of law, the procedures that it describes can be relied upon by the public. *In re Kaghan*, 387 F.2d 398, 401 (C.C.P.A. 1967).

³⁸*See generally* 3 CHISUM, *supra* note 5, at § 11.07[4] (provides a thorough consideration of the policies and procedures of reexamination). *See also* Kenneth R. Conger, *Patent Reexamination Reexamined*, 1986 DET. C.L. REV. 523 (1986); Adamo, *supra* note 16.

³⁹35 U.S.C. § 302 (1988); 37 C.F.R. § 1.510(a) (1992); MPEP, *supra* note 37, § 2212 (stating that there are no persons who are excluded from being able to seek reexamination; and corporations and/or governmental entities are included within the scope of the clause "any person").

⁴⁰35 U.S.C. § 301 (1988); 37 C.F.R. § 1.501(a) (1992). Although important matters of patentability are considered under this limited scope of reexamination, other issues, including inequitable conduct, statutory bar, disclosure inadequacy or fraud on the PTO, must be resolved by way of litigation in the district courts. *See* Gregory N. Neff, *Patent Reexamination-Valuable, But Flawed: Recommendations for Change*, 68 J. PAT. & TRADEMARK OFF. SOC'Y 575 (1986) (arguing that the scope of reexamination should not be expanded to include other issues due to the added cost and the fact that the district courts are institutionally better situated to address the other issues).

the request believes to have a bearing upon the patentability of the claim.⁴¹ Reexamination may be requested during the period of enforceability of a patent, which is normally seventeen years from the issue date.⁴²

In most cases, the requester will be either the patent owner or one who is challenging the validity of the patent.⁴³ The goal of the former consists of removing any infirmities associated with the patent as issued. On the other hand, the objective of the latter, possibly a licensee of the patent or possible infringer, consists of testing the validity of the patent through reexamination before having to litigate the issue.

A reexamination fee must accompany the request for reexamination.⁴⁴ Moreover, the request must set forth the pertinency of the prior art and publications, and identify the manner by which the cited material should be applied to the respective claims for which reexamination is requested.⁴⁵ When the reexamination requester is not the patent owner, the Patent Office will send a copy of the request for reexamination to the patent owner.⁴⁶

⁴¹ 35 U.S.C. § 302 (1988); 37 C.F.R. § 1.510(a) (1992). 35 U.S.C. § 302 provides, in part, that:

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee. . . . The request must set forth the pertinency and manner applying cited prior art to every claim for which reexamination is requested.

The cited prior art patents or printed publications upon which such a request is based usually consists of those which were not considered by the patent examiner during the processing of the patent application which resulted in the patent-in-suit. *Ingro v. Tyco Indus., Inc.*, 227 U.S.P.Q. 69, 70 (N.D. Ill. 1985).

⁴² 35 U.S.C. § 154 (1988); 37 C.F.R. § 1.510(a) (1992).

⁴³ For purposes of this note, the latter situation is the paradigm, and the discussion *infra* generally presumes that the petition has been filed by this party.

⁴⁴ 35 U.S.C. § 302 (1988); 37 C.F.R. § 1.510(a) (1992). The examination fee is presently \$2180. 37 C.F.R. § 1.20(c) (1992).

⁴⁵ 35 U.S.C. § 302 (1988); 37 C.F.R. § 1.510(b)(2) (1992).

⁴⁶ 35 U.S.C. § 302 (1988); 37 C.F.R. § 1.510(b)(5) (1992). Note that the patent owner is barred from issuing statements or other responses prior to the order on the request. 37 C.F.R. § 1.530(a) (1991). A due process challenge to this provision was avoided for lack of a justiciable controversy in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 607 (Fed. Cir. 1985), *modified, reh'g denied*, 771 F.2d 480 (Fed. Cir. 1985).

B. Determination of Substantial New Question of Patentability and the Reexamination Order

Within three months of the filing of the reexamination petition, the Commissioner will determine whether the request raises a "substantial new question of patentability"⁴⁷ affecting any claim of the patent.⁴⁸ The Commissioner may also make the same determination *sua sponte*.⁴⁹

In the usual case, a Patent Office examiner will determine if a substantial new question of patentability exists by comparing the prior art of record in the original patent application with the prior art cited in the request for reexamination.⁵⁰ If the prior art patents and printed publications are material⁵¹ to the reexamination of at least one claim of the patent, then a substantial new question of patentability exists.⁵²

The Commissioner will issue an order either granting or denying reexamination based upon its determination.⁵³ An order granting reexamination is merely a statement that a substantial question exists as to the patentability of certain claims; this determination, thus, has no bearing on the merits of an invalidity challenge.⁵⁴ As such, the patent remains valid and may be enforced during the period of reexamination.⁵⁵ On the other hand, if the

⁴⁷The requirement that a substantial new question of patentability be raised by the request protects patent owners from having to respond to or participate in unjustified reexaminations. *Kaufman Co., Inc. v. Lantech Inc*, 807 F.2d 970, 976 (Fed. Cir. 1986).

⁴⁸35 U.S.C. § 303(a) (1988); 37 C.F.R. § 1.515(a) (1992). The Patent Office, in making this determination, is not limited to considering the prior art and publications cited in the reexamination request; it may also consider additional patents and printed publications in making this decision. 37 C.F.R. § 1.515(a) (1992). This material would include the prior art of record in the parent or any earlier reexamination file. MPEP, *supra* note 37, at § 2242. This expansive scope of prior art from which reexamination may be conducted has raised some concern with regard to the intrusiveness of the procedure. For example, in *In re Etter*, 756 F.2d 852 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 852 (1985), it was noted that this broad scope of what prior art may be considered, absent a presumption of validity during reexamination, too easily allows the Patent Office to second guess its original patentability determination. *Id.* at 864 (Nies, J., concurring).

⁴⁹35 U.S.C. § 303(a) (1988); 37 C.F.R. § 1.520 (1992).

⁵⁰*In re Pearne*, 212 U.S.P.Q. 466, 468 (Comr Pats 1981).

⁵¹MPEP, *supra* note 37, at § 2242 states, in part, that "[a] prior art patent or printed publication is material to the examination of a claim of the patent where there is a substantial likelihood that a reasonable examiner would consider the prior art patent or publication important in deciding whether or not the claim is patentable."

⁵²*Id.* An exception to this rule occurs when "it is clear to the examiner that the same question of patentability has already been decided (1) by a final holding of invalidity by a federal court or (2) by the [Patent Office] either in the original examination, the examination of a reissue patent, or an earlier concluded reexamination." *Id.*

⁵³35 U.S.C. § 304 (1988); 37 C.F.R. § 1.525(a) (1992).

⁵⁴MPEP, *supra* note 37, at § 2240.

⁵⁵*See Ethicon Inc. v. Quigg*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988).

Commissioner decides not to institute a reexamination proceeding, the decision is final and nonappealable.⁵⁶ In that event, the Patent Office will grant a partial refund to the requester of the proceeding.⁵⁷

C. Reexamination Proceedings

If the Commissioner issues a reexamination order, the patent owner has two months within which to file a statement of position on any substantially new issue of patentability raised.⁵⁸ The requester is thereafter given two months to submit a reply to the patent owner's statement.⁵⁹ After filing this reply, the Patent Office deems the requester no longer involved in the proceedings and, hence, he or she may not correspond further with the examiner.⁶⁰

The patent claims are, subsequently, reexamined in an *ex parte* fashion, according to the general rules governing examination of applications for a

⁵⁶35 U.S.C. § 303(c) (1988); 37 C.F.R. § 1.515(c) (1992). *Cf. In re Etter*, 756 F.2d 852, 859 n.6 (Fed. Cir. 1985) ("Absent a 'substantial new question', an alleged infringer cannot 'force' a patentee back into the PTO"), *cert. denied*, 474 U.S. 828 (1985).

⁵⁷35 U.S.C. § 303(c) (1988); 37 C.F.R. § 1.515(b) (1992). The refund amount is presently \$1635. 37 C.F.R. § 1.26(c) (1992).

⁵⁸The statement may also include a proposal to amend any claim or claims. 35 U.S.C. § 304 (1988); 37 C.F.R. § 1.530(b) (1992).

⁵⁹35 U.S.C. § 304 (1988); 37 C.F.R. § 1.535 (1992).

⁶⁰35 U.S.C. § 305 (1988); 37 C.F.R. § 1.550(e) (1991). The Federal Circuit has, thus, held that a third party requester has no right to intervene in an appeal by the patent owner from an adverse reexamination ruling. *In re Opprecht*, 868 F.2d 1264, 1265 (Fed. Cir. 1989) ("The legislative intent was to provide specified limits to the participation of third parties, thus adding weight to the purpose of facilitating and expediting the reexamination proceeding, as against the possible advantages of full *inter partes* contests"); *see also* *Syntex (U.S.A.) Inc. v. U.S. Patent & Trademark Office*, 882 F.2d 1570, 1575 (Fed. Cir. 1989) (third party requester lacks standing to challenge a reexamination proceeding). Such limited participation in the reexamination procedure has been criticized by some commentators. David A. Lowin, *Comment: Reexamination "Catch 22"*, 15 *AIPLA Q.J.* 218 (arguing that reexamination rules are too inflexible and should be changed to allow participation of non-owner requesters to the extent of making supplemental comments, providing additional status information, and appealing reexamination); Neff, *supra* note 40 (arguing that the reexamination statute should be amended to grant to all requesters an equal right to participation and appeal); *cf.* 3 *CHISUM*, *supra* note 5, § 11.07[4][d] ("It would seem appropriate to allow continued participation of a nature comparable to that now afforded to a protesting party under [37 C.F.R. § 1.291]").

patent.⁶¹ As such, the patent owner may add claims to the patent, amend claims to distinguish them from the prior art,⁶² and conduct examiner interviews.⁶³

The patent owner is under a duty of candor and good faith during reexamination.⁶⁴ This obligation requires the patent owner to disclose all patents or printed publications, not previously of record, that are material to the reexamination.⁶⁵ Moreover, reexamination proceedings, including any appeals to the Board of Patent Appeals and Interferences (Board of Appeals), must be conducted by the Patent Office with "special dispatch."⁶⁶

During the reexamination proceeding the presumption of validity afforded patent claims during litigation⁶⁷ does not apply.⁶⁸ The Federal Circuit concluded that its application is incompatible with reexamination because the presumption is predicated on the notion of administrative correctness, an assumption that is fundamentally at odds with the underlying theory behind reexamination.⁶⁹ The standard of proof thus required to reject patent claims in a reexamination proceeding is not clear and convincing but only a preponderance of evidence. Moreover, because the patent owner may amend his claims during prosecution to obtain protection commensurate with his actual contribution to the art, the claims will be given their broadest reasonable

⁶¹37 C.F.R. §§ 1.550(a), 1.104-1.119 (1992); *see also In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) ("the intent underlying reexamination is to 'start over' in the PTO with respect to the limited examination areas involved. . . ." (emphasis in original)), *cert. denied*, 474 U.S. 828 (1985).

⁶²Note that a proposed amendment or new claim which would have the effect of enlarging the scope of a claim of the patent is prohibited in reexamination. 35 U.S.C. § 305 (1988); 37 C.F.R. §§ 1.530(a), 1.552(b) (1992).

⁶³35 U.S.C. § 305 (1988); 37 C.F.R. §§ 1.530, 1.560 (1992).

⁶⁴37 C.F.R. § 1.555(a) (1992).

⁶⁵*Id.*

⁶⁶305 U.S.C. § 305 (1988); 37 C.F.R. § 1.550(a) (1992). The Federal Circuit has held that this requirement bars the Patent Office from staying the reexamination proceeding pending the outcome of litigation involving an issue of validity of the same patent. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988).

⁶⁷*See supra* note 25 and accompanying text.

⁶⁸*In re Etter*, 756 F.2d 852, 858 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 828 (1985). This rule has been the subject of criticism because of the systemic problems that it effects. *See, e.g., In re Etter*, 756 F.2d at 860-62 (Nies, J., concurring) (arguing that rule will likely chill voluntary use of procedure by patent owner and allow challenger to circumvent the more difficult burden it has in litigation); Edmund J. Fish, *Examining the Federal Circuit's Position on the Presumption of Validity During Patent Reexamination*, 32 WAYNE L. REV. 1405 (1986) (arguing that rule is not supported by legislative history and offends due process).

⁶⁹*Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 605 (Fed. Cir. 1985), *modified, reh'g denied*, 771 F.2d 480 (Fed. Cir. 1985). The *Patlex* court also held that the failure to apply the presumption of validity in reexamination does not effect a Fifth Amendment taking. 758 F.2d at 605.

interpretation consistent with the specification.⁷⁰ These principles are a reflection of the policy that reexamination is a neutral proceeding with the patentee and the public having an equal interest in the issuance and maintenance of valid and reliable patents.⁷¹

If the patent owner is subjected to an adverse ruling by the examiner with respect to the patentability of any claim, the patent owner may appeal to the Board of Appeals.⁷² The patent owner, additionally, may seek review of a negative Board of Appeals' decision via appeal to the Federal Circuit or by filing a civil action to obtain a patent in the U.S. District Court for the District of Columbia.⁷³ Upon conclusion of the reexamination proceeding and any appeals, the Commissioner will issue a certificate canceling any claim determined to be unpatentable, confirming any claim determined to be patentable, and incorporating into the patent any new claims or amendments determined to be patentable.⁷⁴

III. THE IMPACT OF REEXAMINATION ON LITIGATION

A decision by the Patent Office that the reexamined claims of an issued patent are canceled as unpatentable renders the claims unenforceable in the pending litigation and in any future disputes.⁷⁵ Cancellation through reexamination, however, is available only when the claims at issue are unpatentable over prior art patents and publications.⁷⁶ As such, other issues which may adversely affect

⁷⁰*In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (distinguishing rule of narrow claim interpretation in infringement suits wherein claims cannot be amended). The effect of this principle is that it is *more likely* that the PTO will hold claims to be unpatentable in view of the asserted prior art. See 3 CHISUM, *supra* note 5, at § 11.03. Thus, this doctrine, coupled with the fact that the presumption of validity does not apply in reexamination, provides an obvious incentive to the patent challenger to pursue reexamination in lieu of litigating the matter in district court. See generally *In re Etter*, 756 F.2d 852, 86062 (Fed Cir. 1985) (Nies, J., concurring), *cert. denied*, 474 U.S. 828 (1985); see also Sprenza, *supra* note 23.

⁷¹*In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 828 (1985).

⁷²35 U.S.C. § 306 (1988).

⁷³*Id.*

⁷⁴35 U.S.C. § 307(a) (1988); 37 C.F.R. § 1.570 (1992). Note that under 35 U.S.C. §§ 307(b), 252, the doctrine of intervening rights may provide an affirmative defense to otherwise infringing activity if the activity or preparation for it was started before the grant of new claims. See, e.g., *Kaufman Co. v. Lantech Inc.*, 807 F.2d 970, 978 (Fed. Cir. 1986).

⁷⁵See *Output Technology Corp. v. Dataproducts Corp.*, 22 U.S.P.Q.2d 1072, 1073 (W.D. Wash. 1991); Cf. 3 CHISUM, *supra* note 5, at § 11.07[4][f] ("reexamination introduces . . . a procedure for involuntary cancellation of a patent by the [Patent] Office after issuance.")

⁷⁶35 U.S.C. §§ 301, 302 (1988); 37 C.F.R. § 1.552(c) (1992). See also *supra* notes 40-41 and accompanying text.

patent validity, such as public use or sale, indefiniteness, and priority of invention, must be addressed in litigation.⁷⁷

Patent claims that survive reexamination intact remain, nonetheless, subject to the same validity attacks during litigation as those asserted during reexamination.⁷⁸ The Patent Office determination, thus, does not have a preclusive effect against third parties, such as the third-party requester, whose petition for reexamination was unsuccessful.⁷⁹ One reason is that, although there is a connection between the reexamination proceeding and the litigation, the former is not *res judicata* vis-a-vis the latter because they do not involve, per se, the same cause of action.⁸⁰ Furthermore, the doctrine of collateral estoppel is not applicable during litigation because the nature of the reexamination proceeding does not afford the third-party requester an adequate opportunity to litigate its claim.⁸¹ Finally, as the Federal Circuit has repeatedly stated, the reexamination and litigation are distinct proceedings that involve differing evidentiary standards that may lead to different results.⁸²

Although not binding, a decision by the Patent Office upholding the validity of reexamined patent claims is strong evidence that a district court must consider in assessing whether the party asserting invalidity has met its burden of clear and convincing evidence.⁸³ And, by virtue of a decision sustaining the validity of the claims, this burden becomes more difficult to satisfy.⁸⁴

⁷⁷ See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988).

⁷⁸ *Id.*; *In re Certain Stabilizing Hull Units and Components*, 218 U.S.P.Q.2d 752 (U.S. Int'l Trade Comm'n 1982). Note, however, that parties to litigation may voluntarily agree to be bound by the decision of the Patent Office. See, e.g., *GPAC, Inc. v. D.W.W. Enter. Inc.*, 23 U.S.P.Q.2d 1129, 1130-34 (D. N.J. 1992).

⁷⁹ 3 CHISUM, *supra* note 5, at § 11.07[4][f].

⁸⁰ See *In re Etter*, 756 F.2d 852, 862 (Fed. Cir. 1985) (Nies, J., concurring).

⁸¹ In *PIC Inc. v. Prescon Corp.*, 485 F. Supp. 1302 (D. Del. 1980), the court addressed the issue of the effect on litigation of a reissue determination favorable to the patentee. The court held that the reissue determination did not preclude litigation on the validity issue because (1) the reissue proceeding is essentially *ex parte*; (2) third parties have no opportunity for discovery or cross-examination; and (3) third parties have no right to appeal an adverse decision. *Id.* at 1309-11; see also *PPG Indus. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1568 (Fed. Cir. 1988); cf. *Blonder-Tongue Lab., Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) (collateral estoppel applies against a patentee on the issue of validity when there has been a fair opportunity to litigate the claim). This reasoning would apply with equal force in the reexamination context. See 3 CHISUM, *supra* note 5, at § 11.07[4][f].

⁸² See, e.g., *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988) (considering different evidence and different standards of proof on invalidity).

⁸³ *Custom Accessories, Inc. v. Jeffery-Allan Indus., Inc.*, 807 F.2d 955, 961 (Fed. Cir. 1986); see also *Kaufman Co., Inc. v. Lantech, Inc.*, 807 F.2d 970, 974 (Fed. Cir. 1986). See generally 3 CHISUM, *supra* note 5, at § 11.07[4].

⁸⁴ *Custom Accessories, Inc. v. Jeffery-Allan Indus., Inc.*, 807 F.2d 955, 961 (Fed. Cir. 1986).

The reexamination result may thus impact litigation in several distinct ways. First, if the Patent Office declares the patent claims invalid because they are unpatentable in view of the newly discovered prior art, the owner of the patent cannot enforce them against the accused infringer.⁸⁵ Second, if the claims emerge from reexamination intact and effectively strengthened as a result of the scrutiny of the Patent Office, trial issues will be simplified and settlement will be encouraged.⁸⁶ Third, if the claims are narrowed to some extent, the Patent Office opinion will, nonetheless, provide valuable guidance that may facilitate the trial on the merits.⁸⁷

IV. THE FACTORS CONSIDERED IN DECIDING WHETHER TO STAY THE LITIGATION PENDING THE OUTCOME OF REEXAMINATION

It is an undisputed fact that reexamination can provide the district courts with valuable guidance on technical questions of patent validity. Indeed, in *Gould v. Control Laser Corp.*,⁸⁸ the Federal Circuit recognized that when a court issues an order staying its proceedings pending reexamination,⁸⁹ it does not terminate the action but rather shifts the claim validity issue in the dispute to the experts in the Patent Office.⁹⁰ The court, noting the merits of this mechanism, stated: "[o]ne purpose of the reexamination procedure is to eliminate the trial of that issue (when the claim is canceled) or to facilitate trial of that issue by providing the district court with the expert view of the [Patent Office] (when a claim survives the proceeding)."⁹¹ In the absence of an ability to suspend the litigation in anticipation of the Patent Office opinion, this objective cannot be realized.⁹²

The United States Supreme Court discussed the basis of a court's authority to stay its proceedings in *Landis v. North American Co.*⁹³ Speaking through Justice Cardozo, the Court explained:

⁸⁵ See, e.g., *Grayling Indus. v. GPAC Inc.*, 19 U.S.P.Q.2d 1872, 1874 (N.D. Ga. 1991).

⁸⁶ See, e.g., *Custom Accessories, Inc. v. Jeffery-Allan Indus., Inc.*, 807 F.2d 955, 961 (Fed. Cir. 1986).

⁸⁷ See, e.g., *GPAC, Inc. v. D.W.W. Enter. Inc.*, 23 U.S.P.Q. 1129, 1131-32 (D. N.J. 1992).

⁸⁸ 705 F.2d 1340 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 935 (1983).

⁸⁹ It is worthy of note that one court held that the doctrine of primary jurisdiction, which requires a court to submit certain questions to the administrative agency with special competence over the matter, was inapplicable when the question is one of patent validity. *RCA Corp. v. Applied Digital Data Sys.*, 467 F. Supp. 99, 104 (D. Del. 1979) (holding doctrine inappropriate because question is not one of regulatory policy or of economic conditions).

⁹⁰ *Gould*, 705 F.2d at 1342.

⁹¹ *Id.*

⁹² *Id.*

⁹³ 299 U.S. 248 (1936).

The power to stay proceedings is incidental to the power inherent in every court to control the disposition of the actions on its docket with economy and effort for itself, for counsel and for litigants. How this can best be done calls for the exercise of judgment, which must weigh competing interests and maintain an even balance.⁹⁴

This same authority exists to allow a court to order a stay of patent validity litigation pending the conclusion of a Patent Office reexamination.⁹⁵

In determining the desirability of such a stay, the district court has considerable latitude.⁹⁶ As a practical matter, the court will use a balancing test and, thus, weigh the competing interests put forth by the parties in order to arrive at an equitable solution.⁹⁷ The appeals court will uphold its disposition unless an abuse of discretion would otherwise result.⁹⁸

During the course of a stay, the court quite obviously retains jurisdiction to respond to changing factual circumstances with appropriate orders. Thus, if a stay is granted prior to the decision from the Patent Office as to whether a

⁹⁴*Id.* at 254.

⁹⁵*Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (courts "have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination."); *accord* *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 935 (1983); *see also* *GPAC Inc. v. D.W.W. Enter. Inc.* 23 U.S.P.Q.2d 1129, 1131 (D. N.J. 1992).

By contrast, the *Ethicon* court held that reexamination by the Patent Office should not be stayed pending litigation in court because of the distinct nature of the proceeding in each forum and the statutory duty imposed on the Office to proceed with special dispatch. *Ethicon Inc.*, 849 F.2d at 1428-29; *see also* *Wayne Automation Corp. v. R. A. Pearson Co.*, 20 U.S.P.Q.2d 1718, 1720 (E.D. Wash. 1991) ("[I]t would be entirely reasonable that the two forums might reach opposite conclusions regarding a patent's validity because (1) the forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions, (2) a court's decision is likely to be based on a more complete record, (3) district court litigation may include challenges to validity which the PTO cannot consider, and (4) the two forums have different standards of proof for determining invalidity").

⁹⁶*Gould v. Control Laser Corp.*, 705 F.2d 1340, 1341-42 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 935 (1983); *see also* *Emhart Indus. Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1889, 1890 (N.D. Ill. 1987).

⁹⁷ *See, e.g.*, *Output Technology Corp. v. Dataproducts Corp.*, 22 U.S.P.Q.2d 1072, 1074 (W.D. Wash. 1991); *United Sweetner USA, Inc. v. Nutrasweet Co.*, 766 F. Supp. 212, 217 (D. Del. 1991).

⁹⁸*Gould*, 705 F.2d at 1341. In *Gould*, the patentee appealed the district court's order staying the proceedings pending reexamination. The Federal Circuit dismissed the appeal for lack of jurisdiction on the grounds that the district court decision was not a final appealable order that would render it subject to appeal. It held that an order staying the litigation pending reexamination would be subject to appeal only when the stay is for such a "protracted or indefinite period" so as to put the parties "effectively out of court." *Id.* The court, however, did not outline the criteria by which it would determine whether the order constitutes an abuse of discretion.

substantial new question of patentability exists,⁹⁹ the court can issue an order lifting the stay upon a negative determination.¹⁰⁰ Similarly, the court may dissolve the stay when preliminary reports from the Patent Office reveal that some of the claims at issue will survive reexamination.¹⁰¹ Or, if the reexamination lasts for period of time that unduly prejudices one of the parties, the court may lift the stay and proceed with the litigation.¹⁰² Absent such events, however, the suspension will endure for the period of reexamination.¹⁰³

As previously stated, the reexamination statute does not expressly provide for a stay of litigation involving claim validity pending the outcome of a reexamination proceeding.¹⁰⁴ Congress, however, deemed such a provision unnecessary under the circumstances.¹⁰⁵ The House Report explains:

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. It is anticipated that these measures provide a *useful and necessary alternative* for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.¹⁰⁶

⁹⁹See *supra* notes 47-52 and accompanying text.

¹⁰⁰Grayling Indus. v. GPAC Inc., 19 U.S.P.Q.2d 1872, 1874 (N.D. Ga. 1991); Brown v. Shimano American Corp., 18 U.S.P.Q.2d 1496 (C.D. Cal. 1991). Compare this scenario with one in which the court denies a stay prior to the Patent Office resolution of the threshold question. In the latter, the court may reconsider the merits of the motion if reexamination is ordered. See Output Technology Corp. v. Dataproducts Corp., 22 U.S.P.Q.2d 1072 (W.D. Wash. 1991).

¹⁰¹Purolite Int'l, Ltd. v. Rohm and Haas Co., 24 U.S.P.Q.2d 1857, 1860 (E.D. Pa. 1992); Rohm and Haas Co. v. Brotech Corp., 24 U.S.P.Q.2d 1369, 1372 (D. Del. 1992).

¹⁰²Purolite Int'l, Ltd. v. Rohm and Haas Co., 24 U.S.P.Q.2d 1857, 1859 (E.D. Pa. 1992); cf. United Sweetener USA, Inc. v. Nutrasweet Co., 766 F. Supp. 212, 218-19 (D. Del. 1991) (holding stay dissolves upon ruling from Patent Board of Appeals on patent owner's appeal from an adverse decision in order to avoid unfair tactical advantage to the patent owner).

¹⁰³Purolite Int'l, Ltd. v. Rohm and Haas Co., 24 U.S.P.Q.2d 1957, 1859 (E.D. Pa. 1992) (imposing duty on party whose patent was being reexamined to inform court as to status of reexamination); Grayling Indus. v. GPAC Inc., 19 U.S.P.Q.2d 1872, 1874 (N.D. Ga. 1991).

¹⁰⁴Note that early versions of what became the reexamination statute under 35 U.S.C. §§ 301-07 (1988) expressly provided for a stay of court proceedings during reexamination. See S. 1679, 96th Cong., 1st Sess. § 310 (1979); H.R. 5075, 96th Cong., 1st Sess. § 310 (1979); S. 2446, 96th Cong., 2d Sess. § 310 (1980).

¹⁰⁵Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426 (Fed. Cir. 1988).

¹⁰⁶House Report, *supra* note 17, at 6463 (emphasis added). See generally Gould v. Control Laser Corp., 705 F.2d 1340, 1342 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 935 (1983).

It is thus quite clear that Congress intended that district courts would liberally grant stays pending reexamination.¹⁰⁷ Indeed, the Federal Circuit recognized that "stay[s] must be accepted if the purpose of the reexamination statute is to be preserved."¹⁰⁸

Notwithstanding this preference for granting stays, the moving party does not enjoy a stay pending reexamination as of right.¹⁰⁹ Rather, the district court will, in exercising its discretion, consider a number of factors in order to decide the matter.¹¹⁰ Among these factors are: (1) the technical expertise of the Patent Office; (2) the probable effect on the litigation that granting a stay would have; (3) the stage of the litigation at which the motion was filed; and (4) the adequacy of the patent owner's legal remedy.¹¹¹ Courts balance these factors, and if *in toto* the benefits of granting the motion to stay litigation pending reexamination outweigh the burdens associated with delay caused by the additional proceeding, the motion will be granted.¹¹²

The factors identified will be discussed separately in order to illustrate their significance in particular factual settings. The discussion that follows will attempt to synthesize the governing standard in a way that recognizes the competing considerations that a court will attempt to best accommodate.

A. Expertise of the Patent Office

Courts generally consider the expertise of the Patent Office, under which claim validity will be evaluated, as an important factor in determining whether to stay its proceedings.¹¹³ Because of its technical acumen and unique position in the administrative scheme, the Patent Office is perceived as the institution best able to assess the validity of a patent in view of the prior art.¹¹⁴ A court

¹⁰⁷GPAC Inc. v. D.W.W. Enter. Inc., 23 U.S.P.Q.2d 1129, 1131 (D. N.J. 1992) ("Congress noted its approval of district courts liberally granting stays. . ."); Robert H. Harris Co., Inc. v. Metal Mfg. Co. Inc., 19 U.S.P.Q.2d 1786, 1788 (E.D. Ark. 1991) ("legislative history surrounding the establishment of the reexamination proceeding evinces congressional approval of district courts liberally granting stays."); *Ingro v. Tyco Indus., Inc.*, 227 U.S.P.Q. 69, 71 (N.D. Ill. 1985) ("legislative history indicates Congress and the testifying witnesses approved of courts liberally granting stays within their discretion").

¹⁰⁸*Gould*, 705 F.2d at 1342.

¹⁰⁹*Cf. Wayne Automation Corp. v. R.A. Pearson Co.*, 20 U.S.P.Q.2d 1718, 1720 (E.D. Wash. 1991).

¹¹⁰*See, e.g., Emhart Indus. Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1889 (N.D. Ill. 1987).

¹¹¹This last factor, of course, is relevant only when a stay is sought by the patent challenger.

¹¹²*See, e.g., GPAC Inc. v. D.W.W. Enter. Inc.*, 23 U.S.P.Q.2d 1129, 1134 (D. N.J. 1992); *Brown v. Shimano Am. Corp.*, 18 U.S.P.Q.2d 1496 (C.D. Cal. 1991).

¹¹³*E.g., GPAC*, 23 U.S.P.Q.2d at 1132; *see also Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 935 (1983).

¹¹⁴*See Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988).

may, however, choose to proceed with the litigation without the assistance of the Patent Office when the reexamination involves an issue that is not highly technical.¹¹⁵ Furthermore, a court will be inclined to proceed toward trial when it already has the benefit of a technical evaluation from the Patent Office, arising out of a prior reexamination.¹¹⁶

In *Loffland Bros. Co. v. MidWestern Energy Corp.*,¹¹⁷ the patent owner brought an action for infringement of a patent covering an elevating catwalk used on drilling rigs, to which the defendant asserted an affirmative defense of invalidity. Seven months after the litigation commenced, the defendant filed a petition for reexamination. The Patent Office found that the petition raised a substantial new question of patentability with regard to plaintiff's patent.¹¹⁸ In the first office action, the Patent Office determined that each claim of the patent-in-suit was invalid in view of the prior art submitted by defendant. The defendant, thereupon, filed a motion to delay the trial (not yet scheduled) pending the final office action, which was due within one month.¹¹⁹

The *Loffland Bros.* court granted the defendant's motion to stay the trial on the merits until the final decision on the reexamined claims was available from the Patent Office.¹²⁰ In doing so, the court acknowledged the advantages that flow from the expert view of the patent examiner:

The technical expertise provided by the reexamination proceeding . . . will be extremely helpful to this Court should further consideration of this matter be necessary. Indeed, the Court invites a determination by the [Patent Office] as to the validity of plaintiff's patent claims. The reexamination procedure has the potential to eliminate trial on the issue of patent infringement, should all of the patent's claims be canceled. . . . In any event, the expert view of the Patent Office will certainly benefit this court.¹²¹

¹¹⁵*Freeman v. Minnesota Mining and Mfg. Co.*, 661 F. Supp. 886, 888 (D. Del. 1987).

¹¹⁶*See Rosenthal Mfg. Co. v. Thermal Equip., Inc.*, 1988 U.S. Dist. LEXIS 12241, at *3 (D. Kan. 1988).

¹¹⁷225 U.S.P.Q. 886 (W.D. Okla. 1985).

¹¹⁸*Id.*

¹¹⁹*Id.* at 887.

¹²⁰*Id.*

¹²¹*Id.* at 886. *See also* *Emhart Indus. Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1888, 1890 (N.D. Ill. 1987) ("shifting the validity issue to the PTO has many advantages, including . . . [a]ll prior art presented to the court will have been first considered by the PTO, with its particular expertise"); *In re Certain Cryogenic Ultramicrotome Apparatus*, 2 U.S.P.Q.2d 1790, 1791 (U.S. Int'l Trade Comm'n 1987) (stating that the Patent Office is the lead government agency responsible for considering the validity of from which the International Trade Commission would benefit from its determinations as to patentability).

In *United Sweetener USA Inc. v. The Nutrasweet Co.*,¹²² an accused infringer brought an action against the patent owner, asking the court to declare the latter's artificial sweetening agent patents invalid.¹²³ The plaintiff argued that one of the two patents-in-suit was invalid for lack of novelty,¹²⁴ asserting that it was anticipated by prior art not considered in the initial Patent Office examination.¹²⁵ Contemporaneously, the identified patent was under review in a reexamination proceeding initiated by the challenger.¹²⁶ When the Patent Office subsequently rejected the claims in the reexamination, the defendant moved to stay all proceedings, including discovery, pending its appeal to the Board of Patent Appeals. The plaintiff opposed the motion, arguing that the defendant's motive was merely to delay the resolution of the case and that a stay would unjustifiably exclude plaintiff and its customers from the marketplace during the pendency of the reexamination.¹²⁷

The *United Sweetener* court, however, concluded that the equities among the parties and the objectives of reexamination were best served by staying the litigation pending the decision from the Board of Appeals.¹²⁸ In reaching this holding, the court recognized that Patent Office examiners and members of the Board of Patent Appeals possess "a great deal of expertise and experience in analyzing the merits of the petition for reexamination."¹²⁹ The court concluded that such knowledge would promote certainty on the issue of validity and render the ultimate resolution of the controversy more secure.¹³⁰

The expertise factor, however, does not always redound to the advantage of the party seeking to delay the litigation. This fact is illustrated in *Minnesota Mining and Mfg. Co. v. Freeman*.¹³¹ In *Freeman*, the patent owner sued the corporate defendants for infringement for the latter's unauthorized activity associated with an intraocular lens device. Two years into the consolidated

¹²²766 F. Supp. 212 (D. Del. 1991).

¹²³*Id.* at 213.

¹²⁴See *supra* note 6 and accompanying text for discussion of novelty as a condition for obtaining a patent.

¹²⁵*United Sweetener, U.S.A., Inc. v. Nutrasweet, Co.*, 766 F. Supp. 212, 215 (D. Del. 1991).

¹²⁶*Id.*

¹²⁷*Id.* at 216.

¹²⁸*Id.* at 217. Note, however, that the court limited the stay to the pending appeal in order to prevent the defendant-patent owner from gaining any "unfair tactical advantage" that might otherwise accrue. *Id.* at 218-19.

¹²⁹*Id.* at 217; see also *Dresser Indus., Inc. v. Ford Motor Co.*, 530 F. Supp. 309, 316 (N.D. Tex. 1981) ("The major benefit of staying litigation pending reconsideration of a patent under [reexamination] is that it affords the Court the assistance of the Patent Office's specialized expertise on technical questions of validity").

¹³⁰*United Sweetener*, 766 F. Supp. at 217.

¹³¹661 F. Supp. 886 (D. Del. 1987).

action, defendant 3M filed a petition for reexamination with the Patent Office to, in part, resolve the question of whether certain documents constituted prior art within the meaning of the statute.¹³² The precise issue for the court to decide was whether the petition for reexamination should be enjoined in view of the pending trial.¹³³ Because trial had not commenced and there was a possibility that the court would benefit from the Patent Office determination, the court declined to enjoin 3M from using the reexamination procedure.¹³⁴

The *Freeman* court, furthermore, went on to consider in dictum whether it would be appropriate to stay its proceedings pending reexamination under the circumstances.¹³⁵ While acknowledging that technical expertise is an important factor to be considered in determining whether to suspend litigation in this instance, the court observed that suspending litigation would not be appropriate when reexamination is engaged merely to resolve a question that is not of a highly technical nature.¹³⁶ The court thus reasoned that since determining whether certain publications constitute prior art is not an overly technical task, it would decide the issue without staying the litigation to await the assistance of the Patent Office, despite the risk that the two might reach different conclusions.¹³⁷

B. Likely Effect of Stay on Litigation

Courts also consider the likely effect that a stay pending reexamination would have on the litigation as a whole. If the stay would more likely than not delay the district court proceedings without any countervailing benefit, the court will proceed with the merits of the case without the benefit of the Patent Office reexamination opinion.¹³⁸ Similarly, if granting a stay would simply award one party an unfair tactical advantage over the other parties, a court will

¹³²See *supra* notes 40-41 and accompanying text.

¹³³*Freeman*, 661 F. Supp. at 887.

¹³⁴*Id.* at 888. The court cited MPEP, *supra* note 34, at § 2286 for the proposition that a reexamination procedure will not be stayed due to ongoing litigation unless the action is in the trial stage. See also *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 607 (Fed Cir. 1985) (MPEP § 2286 is not "a derogation of the statutory purpose nor an undue extension of statutory authority"), *modified, reh'g denied*, 771 F.2d 480 (Fed. Cir. 1985).

¹³⁵It is, indeed, likely that the court was preempting an anticipated motion by the defendants to stay the litigation pending conclusion of the reexamination procedure.

¹³⁶*Freeman*, 661 F. Supp. at 888.

¹³⁷*Id.* at 888.

¹³⁸See, e.g., *The Toro Co. v. L. R. Nelson Corp.*, 223 U.S.P.Q. 636, 638 (C.D. Ill. 1984) (denying motion to stay 3.5 year old case with pending summary judgment motion because "granting the stay order accomplish little, other than the delay of disposition of a suit. . .").

favor preventing such an outcome.¹³⁹ If, however, the probable net effect of granting a motion to stay is to resolve technical claim questions¹⁴⁰ to narrow the trial issues,¹⁴¹ or to promote settlement,¹⁴² the court will likely suspend the litigation pending reexamination. Indeed, some courts presume such an effect flows from reexamination and will delay trial on the merits in the absence of an egregious delay in engaging the administrative procedure.¹⁴³

In *Emhart Indus. Inc. v. Sankyo Seiki Mfg. Co., Ltd.*,¹⁴⁴ the owner of a patent covering a cam operated program timer brought an infringement action, seeking damages. One year into discovery, related patents were disclosed that both antedated the plaintiff's allegedly infringed patent and had not been cited to the Patent Office during the original examination.¹⁴⁵ The accused infringer, thereupon, filed a petition for reexamination with the Patent Office, asserting that the unearthed patents raised a substantial new question of patentability. Three months later the request for reexamination was granted, and the defendant moved the court to stay the litigation.¹⁴⁶

The *Emhart Indus.* court found the defendant's position to be meritorious and ordered a stay of the proceedings pending conclusion of the reexamination.¹⁴⁷ In reaching this conclusion, the court rejected plaintiff's contention that reexamination would not solve anything with finality because it lacked a binding effect. The court explained:

A reexamination proceeding may result in the final cancellation of claims from the patent. . . . Of course, the patent owner may appeal the PTO's decision to the Board of Appeals and then to the Court of

¹³⁹See, e.g., *Wayne Automation Corp. v. R. A. Pearson Co.*, 20 U.S.P.Q.2d 1718, 1720 (E.D. Wash. 1991); *E. I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 711 F. Supp. 1205, 1208 n. 9 (D. Del. 1989).

¹⁴⁰*Robert H. Harris Co., Inc. v. Metal Mfg. Co. Inc.*, 19 U.S.P.Q.2d 1786, 1789 (E.D. Ark. 1991); see also *supra* notes 85-87 and accompanying text. *But see* *Enprotech Corp. v. Autotech Corp.*, 15 U.S.P.Q.2d 1319, 1320 (N.D. Ill. 1990).

¹⁴¹See, e.g., *United Sweetener USA Inc. v. The Nutrasweet Co.*, 766 F. Supp. 212, 217 (D. Del. 1991).

¹⁴²See, e.g., *Emhart Indus. Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1888, 1890 (N.D. Ill. 1987); *Dresser Indus., Inc. v. Ford Motor Co.*, 530 F. Supp. 309, 316 (N.D. Tex. 1981) ("The outcome of reexamination . . . may encourage settlement thereby alleviating the need from further judicial proceedings").

¹⁴³See *GPAC Inc. v. D.W.W. Enter. Inc.*, 23 U.S.P.Q.2d 1129, 1133-34 (D. N.J. 1992) (nineteen month delay not egregious); *Grayling Indus. v. GPAC Inc.*, 19 U.S.P.Q.2d 1872, 1874 (N.D. GA. 1991) (twenty-two month delay not egregious); see also *Robert H. Harris Co. v. Metal Mfg. Co.*, 19 U.S.P.Q.2d 1786, 1789 (E.D. Ark. 1991).

¹⁴⁴3 U.S.P.Q.2d 1889 (N.D. Ill. 1987).

¹⁴⁵*Id.* at 1890.

¹⁴⁶*Id.*

¹⁴⁷*Id.* at 1892.

Appeals for the Federal Circuit. . . . Clearly, however, the end result of the reexamination will be to simplify the issues and reduce the complexity of the trial.¹⁴⁸

In the final analysis, the plaintiff's argument was turned on its head because defendant had agreed to be bound by the determination of the Patent Office.¹⁴⁹

In *Wayne Automation Corp. v. R. A. Pearson Co.*,¹⁵⁰ plaintiff alleged infringement of a patent relating to delivery of collapsed dividers or partitions from a storage magazine in a packaging machine. Several months before discovery was to come to a close, but after a trial date was set, plaintiff filed a petition for reexamination and sought to stay the district court proceedings.¹⁵¹ In the face of the plaintiff's argument that a stay would efficiently resolve the validity issue, the defendant asserted that granting the motion would unfairly aggravate the chilling effect that the litigation already had in the marketplace.¹⁵²

The *Wayne Automation* court agreed with the defendant and, hence, refused to delay the trial on the merits. The court concluded that equity would not accrue if the court allowed plaintiff to institute the action, notify the industry of potential infringement, file a petition for reexamination, and then enjoy a stay of the proceedings.¹⁵³ In doing so, the court stated:

More compelling is [the] contention that the reexamination will not resolve everything. If the claims were canceled it might end it all. . . . But if any of the claims survived we would be right back here to litigate the claim that the claim that the patent should not be enforced.¹⁵⁴

¹⁴⁸*Id.* at 1892. Compare this explanation of the efficiencies of reexamination with the one offered in *Grayling Indus. v. GPAC Inc.*, 19 U.S.P.Q.2d 1872 (N.D. Ga. 1991). There the court observed:

On the one hand, if the patents are declared unpatentable, this action would be moot. On the other hand, even though [the alleged infringer] has not agreed to be bound by a PTO finding of a valid patent, such finding would be admissible and carries a presumption of validity. Moreover, the arguments which [the alleged infringers] would make at trial will have been explicitly reviewed and rejected by the PTO, adding to the persuasiveness of the PTO determination.

Id. at 1874.

¹⁴⁹*Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1988, 1892 (N.D. Ill. 1987).

¹⁵⁰20 U.S.P.Q.2d 1718 (E.D. Wash. 1991).

¹⁵¹*Id.*

¹⁵²*Id.* at 1718.

¹⁵³*Id.* at 1720.

¹⁵⁴*Id.* at 1720 (quoting *Enprotech Corp. v. Autotech Corp.*, 15 U.S.P.Q.2d 1319, 1320 (N.D. Ill. 1990)).

Although the degree to which this notion weighed in the court's calculus is uncertain, it does reflect one perspective of the likely effect of reexamination on litigation.¹⁵⁵ This viewpoint, however, is less compelling when the enforceability of the patent depends exclusively on issues to be resolved in reexamination.¹⁵⁶

C. Stage of Litigation at Which Requested

Courts also consider the stage of the litigation at which a motion to stay is requested as one factor in evaluating the motion. If the motion is filed during an early stage of the litigation, a court will be more inclined to suspend its proceedings and await the results of the reexamination proceeding.¹⁵⁷ If, by contrast, the motion is submitted at a point in the litigation before which significant discovery or trial preparation has taken place, the court will be reluctant to grant the motion.¹⁵⁸

In *Enprotech Corp. v. Autotech Corp.*,¹⁵⁹ an accused infringer brought a declaratory judgment action, asserting that defendant's patents relating to a resolver (which detects the position of a rotating shaft) and associated decoding electronics were invalid and not infringed by its product. When discovery was

¹⁵⁵*Cf. supra* note 148 and accompanying text.

¹⁵⁶*See supra* notes 76-77 and accompanying text.

¹⁵⁷*Purolite Int'l Ltd. v. Rohm and Haas Co.*, 24 U.S.P.Q.2d 1857, 1858 (E.D. Pa. 1992) (granting stay several months into discovery but before scheduling order issued and trial date set); *Robert H. Harris Co. Inc. v. Metal Mfg. Co. Inc.*, 19 U.S.P.Q.2d 1786, 1789 (E.D. Ark. 1991) (granting stay when suit pending for less than one year, little discovery or trial preparation had occurred although trial date set); *United Sweetener USA Inc. v. Nutrasweet Co.*, 766 F. Supp. 212, 217 (D. Del. 1991) (granting stay when limited discovery had occurred and reexamination in advanced stage).

¹⁵⁸*Output Technology Corp. v. Dataproducts Corp.*, 22 U.S.P.Q.2d 1072, 1074 (W.D. Wash. 1991) (denying stay when significant discovery had occurred and trial date set); *Wayne Automation Corp. v. R. A. Pearson Co.* 20 U.S.P.Q.2d 1718, 1720 (E. D. Wash. 1991) (denying stay when non-moving party had conducted extensive discovery and case set for trial); *Enprotech Corp. v. Autotech Corp.* 15 U.S.P.Q.2d 1319, 1320 (N.D. Ill. 1990) (denying stay when discovery nearly complete and case set for trial); *E. I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 711 F. Supp. 1205, 1207 (D. Del. 1989) (denying stay when litigation had advanced through trial, appeal, and remand); *Freeman v. Minnesota Mining and Mfg. Co.*, 661 F. Supp. 886, 888 (D. Del. 1987) (denying stay when discovery had concluded, trial date was set, and the first of two consolidated actions filed two and one-half years previous); *The Toro Co. v. L. R. Nelson Corp.*, 223 U.S.P.Q. 636, 638 (C.D. Ill. 1984) (denying stay when suit had been pending for three and one-half years). *But see* *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983) (granting stay five years into litigation and twenty days before trial), *cert. denied*, 464 U.S. 935, (1983); *Emhart Indus. v. Sankyo Seiki Mfg.*, 3 U.S.P.Q.2d 1889, 1890 (N.D. Ill. 1987) (granting stay eighteen months into litigation, significant discovery had occurred, and trial date set); *Loffland Bros. Co. v. MidWestern Energy Corp.*, 225 U.S.P.Q. 886, 887 (W.D. Okla. 1985) (granting stay after significant discovery, pretrial conference and trial date set).

¹⁵⁹15 U.S.P.Q.2d 1319 (N.D. Ill. 1990).

nearly completed and a trial date had been established, plaintiff filed an amended complaint which charged the patent owner with inequitable conduct for failing to disclose a material reference during the initial examination. The defendant responded immediately by filing a motion to stay in order to allow it to pursue reexamination that would consider the same reference.

The *Enprotech* court, however, denied the motion because, in its view, the litigation had proceeded "too far along the road to justify halting the journey while the defendant explores an alternate route."¹⁶⁰ The court relied on two important facts in arriving at its decision not to suspend the litigation. First, the court recognized that even if the reexamination request was granted by the Patent Office, the parties would still need to litigate the inequitable conduct claim.¹⁶¹ Second, and more important, was the fact that the litigation had reached a stage at which discovery was nearly finished and the case was set for trial.¹⁶²

In *Robert H. Harris Co. Inc. v. Metal Mfg. Co. Inc.*,¹⁶³ the patent owner brought an infringement action, alleging that the defendant manufactured and sold a product that violated its patent rights. After some pre-trial discovery had been conducted, the accused infringer filed a petition for reexamination based on a document recently discovered that, in its judgment, raised new questions of patentability with respect to several claims of the plaintiff's patent. The defendant subsequently filed a motion to stay the litigation pending the reexamination, which was opposed by the patent owner on the ground that a stay would serve merely to unjustifiably prolong litigation.¹⁶⁴

The *Robert Harris* court, however, disagreed with plaintiff's contention and granted the motion to stay. At the outset, the court acknowledged the plurality of advantages that accrue from the use of the reexamination proceeding¹⁶⁵ as

¹⁶⁰*Id.* at 1319-20.

¹⁶¹See *supra* note 40.

¹⁶²*Enprotech*, 15 U.S.P.Q.2d at 1320.

¹⁶³19 U.S.P.Q.2d 1786 (E.D. Ark. 1991).

¹⁶⁴*Id.* at 1789.

¹⁶⁵The enumerated advantages are as follows:

1. All prior art presented to the Court will have been first considered by the [Patent Office], with its particular expertise.
2. Many discovery problems relating to prior art can be alleviated by the [Patent Office] examination.
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed.
4. The outcome of the reexamination may encourage a settlement without the further use of the Court.
5. The record of reexamination would likely be entered at trial, thereby reducing the complexity and length of the litigation.
6. Issues, defenses, and evidence will be more easily limited in pretrial conferences after a reexamination.
7. The cost will likely be reduced both for the party and the Court.

well as the congressional intent that district courts liberally grant stays. In concluding that these expectations should not be forsaken under the circumstances, it observed:

The Court has weighed the costs and benefits [of ordering a stay]. This action has been pending for less than a year. Although it is set for trial next month, this court is not persuaded that this is a case which has run an overly protracted course. . . . The parties appear not to have engaged in expensive discovery or expensive pretrial preparation. Furthermore, . . . [t]he Court is not persuaded that defendant has abused the reexamination process in an attempt to delay trial proceedings.¹⁶⁶

In light of these facts, the court ordered a stay pending the completion of the reexamination or a negative determination on the threshold question.¹⁶⁷

D. Adequacy of Non-Movant's Legal Remedy

Courts also consider the adequacy of the patent owner's legal remedy as one factor in determining whether to suspend the litigation.¹⁶⁸ When the action is one for infringement and the accused infringer moves to stay the litigation pending reexamination of plaintiff's patent, the court will more likely grant the motion when the plaintiff has an adequate legal remedy, namely money damages.¹⁶⁹ Thus, as a practical matter, the patent owner may be required to

Id. at 1789 (citing *Emhart Indus., Inc. v. Sankyo Seiki Mfg.*, 3 U.S.P.Q.2d 1889, 1890 (N.D. Ill. 1987)).

¹⁶⁶*Robert H. Harris Co., Inc. v. Metal Mfg. Co., Inc.*, 19 U.S.P.Q.2d 1786, 1789 (E.D. Ark. 1991).

¹⁶⁷*Id.* See also *supra* notes 47-48 and accompanying text.

¹⁶⁸This, of course assumes, that the posture of the case is such that the accused infringer has sought to stay the litigation in order to pursue reexamination and that the patent owner opposes the motion. But, it is not uncommon for the *patent owner* to pursue reexamination during litigation as an alternative means to resolve the validity dispute. See, e.g., *Wayne Automation Corp. v. R.A. Pearson Co.*, 20 U.S.P.Q.2d 1718 (E.D. Wash. 1991). In this instance, however, it is incongruous for the court to consider the adequacy of the accused infringer's remedy at law.

¹⁶⁹*Robert H. Harris Co., Inc. v. Metal Mfg. Co., Inc.*, 19 U.S.P.Q.2d 1786, 1789 (E.D. Ark. 1991) (granting stay when damages held adequate to compensate plaintiff-patent owner); *Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1889 (N.D. Ill. 1987) (same); *Ingro v. Tyco Indus., Inc.*, 227 U.S.P.Q. 69, 70 (N.D. Ill. 1985) (same); *Digital Magnetic Sys., Inc. v. Ansley*, 213 U.S.P.Q. 290 (W.D. Okla. 1982) (same).

seek, and establish entitlement to, injunctive relief¹⁷⁰ in order to cut off an alleged infringer's ability to delay disposition of the merits.¹⁷¹

Even assuming, however, that the patent owner cannot satisfy the prerequisites for injunctive relief, the accused infringer does not enjoy a right to stay the litigation pending reexamination as a matter of course, as is illustrated in *Output Technology Corp. v. Dataproducts Corp.*¹⁷² This case involved an infringement action for damages, brought by the owner of a patent covering a dot matrix printer. After significant discovery had occurred and a trial date had been established, the accused infringer filed a motion to suspend the litigation pending a decision from the Patent Office on a reexamination petition filed earlier. The plaintiff objected to such a stay, arguing that, as a small business, it would suffer irreparable injury if the litigation were delayed.¹⁷³

The court accepted the patent owner's argument and refused to stay the litigation. It held that when the non-movant has made a prima facie showing of hardship, the party requesting a stay has the burden of going forward to establish that the balance of hardships under the circumstances are in its favor.¹⁷⁴ Under this standard, the *Output Technology* court concluded that, given the late stage of the litigation at which the petition was filed and the want of countervailing factors favoring defendant's position, the motion should be denied.¹⁷⁵

V. THE GUIDELINES FOR DETERMINING WHETHER A STAY WILL BE GRANTED: A REPRISE

In deciding whether to stay litigation over the validity of a patent pending the outcome of a reexamination proceeding, courts necessarily engage in balancing a host of equitable considerations.¹⁷⁶ They do so in an effort to reach a conclusion that best serves the public policies of efficient dispute resolution and maintaining a reliable patent system, while preventing one party from

¹⁷⁰Four factors will be considered in determining whether an injunction is appropriate: (1) a reasonable likelihood of success on the merits; (2) irreparable harm; (3) the balance of hardships; and (4) the public interest. *See, e.g., Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.*, 908 F.2d 951 (Fed. Cir. 1990).

¹⁷¹*See Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1889, 1891 (N.D. Ill. 1987) (granting stay in action for damages when patent owner alleged no adequate legal remedy but did not seek injunctive relief).

¹⁷²22 U.S.P.Q.2d 1072 (W.D. Wash. 1991).

¹⁷³*Id.* at 1074.

¹⁷⁴Note that this burden could apply as well when the moving party is the patent owner, provided due regard is afforded to the policy underlying the reexamination statute.

¹⁷⁵*Output Technology*, 22 U.S.P.Q. 24 at 1074.

¹⁷⁶*See supra* note 97 and accompanying text.

gaining an unfair advantage in the litigation over the opposition.¹⁷⁷ From canvassing the case law, no one factor emerges that is dispositive of the ultimate question. Rather, courts make that determination on a case-by-case basis by reference to the salient concerns and their relative magnitude. Generally, these concerns can be distilled down to the following criteria:

First, will reexamination dispose of an issue that is technical in nature and not ordinarily performed by the tribunal? If this can be answered in the affirmative, the court will be inclined to grant a stay and transfer the matter to the Patent Office where experts can address the question, provided other countervailing considerations are not weighty.¹⁷⁸ In the absence of an unjust impact on one party or an adverse effect on the litigation, such a decision would be warranted because the Patent Office is institutionally better situated to efficiently resolve patentability questions and to inspire confidence in the ultimate validity determination.¹⁷⁹

By contrast, where reexamination will involve a non-technical issue or where a similar reexamination of the patent-in-suit has already been conducted, a court will likely favor proceeding with the litigation without the assistance of the Patent Office.¹⁸⁰ This result would not be inconsistent with the legislative goals of the patent laws because the cost of resolving the issues increases without enhancing confidence in the reexamined patent.¹⁸¹

Second, will awaiting the Patent Office record likely simplify or dispose of issues before the court, facilitate discovery for trial, reduce the overall cost of litigation, or encourage settlement? If so, the court will be hard pressed to deny the motion.¹⁸² Under these circumstances, the objectives of efficiency and reliability of the ultimate resolution of the validity question will again be substantially advanced. A court thus would properly grant a motion to stay pending the conclusion of reexamination, absent some other detrimental and unjustifiable impact upon the litigation or one of the parties.¹⁸³

If, however, the reexamination would not facilitate resolution of the controversy because it would not address a substantial share of the issues at trial, the court will favor proceeding with the litigation. Again, this would not contravene the legislative mandate because efficiency gains from reexamination would be speculative while the result would be unstable at best in view of the open questions to be decided at trial.¹⁸⁴

¹⁷⁷See *supra* notes 19, 139 and accompanying text.

¹⁷⁸See *supra* note 114 and accompanying text.

¹⁷⁹See *supra* text accompanying note 29.

¹⁸⁰See *supra* notes 115-16 and accompanying text.

¹⁸¹See *supra* note 29 and accompanying text.

¹⁸²See *supra* notes 140-42 and accompanying text.

¹⁸³See *supra* notes 138-39 and accompanying text.

¹⁸⁴See *supra* notes 76-77 and accompanying text.

Third, has the motion to stay been filed at an early stage of the litigation and prior to the scheduling of trial? If this question can be answered in the affirmative, the court will be inclined to rule in favor of the moving party.¹⁸⁵ A request at a point late in the litigation may undermine the efficiency objective to an extent that, together with any adverse affect on one litigant, it is not outweighed by the concomitant certainty that emerges with a reexamined patent.

Finally, does the non-movant have an adequate remedy at law? If so, this fact militates in favor of staying the proceedings pending reexamination because monetary relief is capable of restoring the nonmovant to the *status quo ante*.¹⁸⁶ Assuming other considerations suggest that, under the circumstances, reexamination would advance the goals that Congress envisaged,¹⁸⁷ this result would not disturb the balance.

It is thus important in resolving the subject issue to view the question through the lens that emphasizes the reexamination objectives of fostering confidence in the validity of issued patents, resolving validity issues efficiently, and maintaining a level playing field. As such, I would like to submit the following standard by which courts may decide whether to grant a motion to stay litigation pending reexamination: a stay of litigation should be granted unless (1) the issues to be resolved in the Patent Office are not of a technical nature; or (2) the benefits of efficient and reliable claim validity resolution are substantially outweighed by the burdens associated with delay and unfair prejudice to the non-moving party.

VI. CONCLUSION

Patent reexamination provides a substitute forum in which the validity of an issued patent can be tested. One advantage that this procedure has over litigation is that it is conducted by the Patent Office examiners who are experts in the field of determining patent validity. Another advantage is that the procedure is more economical than litigating the issue in federal court because the cost to the litigants and society is substantially less.

Where the validity of a patent is an issue raised in federal court by way of a patent infringement suit or action for declaratory judgment, one party may seek to use the reexamination procedure and stay the litigation as a means by which to resolve the controversy. A court petitioned to stay the litigation pending the outcome of the Patent Office procedure will proceed in making its determination based on principles of equity in view of the particular circumstances of the case. It will balance the hardships that will result from giving effect to the request and reach its ultimate conclusion by considering the interests associated with the litigants, the court, and the legislative mandate. In accomplishing this task, the court will observe the guidelines, as delineated

¹⁸⁵See *supra* note 157 and accompanying text.

¹⁸⁶See *supra* notes 168-69 and accompanying text.

¹⁸⁷See *supra* notes 174-75 and accompanying text.

by Congress and prior judicial action, that advance a coherent and uniform approach to the issue that other tribunals may follow.

Congress intended that courts would liberally administer a stay of court proceedings when the goals of reexamination can be advanced. Reexamination was not, however, perceived to be an instrument by which a litigant could obstruct the resolution of the dispute. Judicial regard to discernible governing standards can facilitate the legislative mandate and preserve the credibility of the process.

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