

THE MANAGEMENT JOURNAL FOR CORPORATE GROWTH

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on why she's always right  
— unless employees  
convince her otherwise

## FAST LANE

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# Built to last

How Bill Darling kept  
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on its business model  
despite a volatile market

# Hedge your bets

How patent re-examination works **Interviewed by Curt Harler**

**T**he adage “if at first you don’t succeed, try again” could be the motto for companies involved in patent proceedings. In legal terms, the process is known as re-examination.

“It can be a valuable tool and legal strategy,” says Daniel Venglarik, a patent attorney for the Munck Butrus PC’s Intellectual Property Section. “As a bonus, re-examination is less costly than typical legal proceedings.”

*Smart Business* asked Venglarik to explain when re-examination is suitable as part of a patent litigation strategy.

## What is patent re-examination?

Companies sued for patent infringement use re-examination either to slash the costs of defending against the infringement claim or as a backstop against an unfavorable verdict. For example, in one case a company got hit with a jury verdict in excess of \$100 million but got the patent office to hold that the patent should never have been granted. In other cases, companies have saved in excess of \$2 million in attorney fees through re-examination.

## How does patent re-examination differ from patent litigation?

Re-examination is an administrative procedure by which the patent office takes a second look at whether a patent should have been granted in the first place, usually based on prior art that the patent office hadn’t considered when it originally decided to grant the patent.

Re-examination is limited to issues of patent validity over prior art patents and publications. Litigation allows defendants to develop a range of other defenses such as noninfringement, invalidity due to lack of enablement or failure to disclose the best mode, inequitable conduct, and others.

## What tactical litigation advantages does re-examination offer?

A re-examination can stall litigation by three to five years. Re-examination can



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also somewhat level the playing field regarding litigation expense when a ‘patent troll’ is the plaintiff, since the cost of defending the re-examination will not normally be covered by a contingent fee agreement. A well-drafted re-examination request that has not yet been filed often makes a good bargaining chip during settlement negotiations, especially where the patent owner has already licensed the patent to others.

## How would re-examination fit within a patent litigation strategy? What objectives are served?

Normally, you want to seek re-examination soon after suit is filed to increase the likelihood of litigation being stayed pending the outcome of the re-examination. There is some benefit to waiting for the court to render a claim construction, but by that time, significant discovery has been completed and the court may not grant any stay. Re-examination should always be considered as a backstop or ‘insurance policy’ against an unfavorable outcome at trial. Typical objectives for re-examination are: to reduce or preferably, eliminate the number of claims that can be asserted against your products; to force the patent

owner to amend the claims and thereby create ‘intervening rights’ cutting off damages; to defer litigation expense and any judgment; and to gain time to develop and bring to market a noninfringing substitute.

## What criteria should be used in deciding to pursue patent re-examination as part of litigation strategy?

The first-order variable should be the existence of good prior art patents or printed publications not considered by the patent office during the original examination of the patent. If such prior art exists, the balance will normally tip heavily in favor of filing a re-examination.

Secondary factors include the amount of damages at issue, which might make simply taking a license the cheaper expedient, the availability of indemnification or a joint defense arrangement, and whether the patent owner can be encouraged to also sue your competitors.

## What kind of results have been obtained in using re-examination?

Our firm has frequently gotten patent litigation stayed pending completion of a re-examination, obtained complete rejection of the patent claims of concern as unpatentable, and forced patent owners to make claim amendments that both cut off our client’s liability for damages and avoided threats of an injunction.

In defending re-examinations, we’ve argued around the need for any claim amendments that would reduce available damages, obtained expedited consideration of re-examinations, and secured additional claims for the patent that specifically targeted the infringer’s design while leaving no question as to validity.

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