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In Re Swanson And The Re-Examination Requirement

Law360, New York (September 15, 2008) -- On Sept. 4, 2008 the Federal Circuit finally addressed the access limiting re-examination question of what constitutes a substantial new question of patentability (SNQ) under 35 USC §303 raised by a reference previously considered in the original prosecution and/or used to challenge validity in a subsequent enforcement of the patent in federal court. It elucidated the analysis of whether a previously considered reference satisfies the "new light" requirement to establish a SNQ.

The fact pattern of the case illuminates the power of subsequent re-examination of a patent found not invalid in a district court and affirmed on appeal to the Federal Circuit.

Clearly the case will encourage more re-examinations at the USPTO even when the patent in question is being enforced or has been successfully asserted in the district courts or the USITC and through appeal at the Federal Circuit.

The case confirmed that a validity determination by an Article III court and a patentability determination by the USPTO during re-examination with respect to any prior art reference are separate and distinct options available to a challenger.

A "New Light" For Deutsch

The bare facts tell the essence of the case. The owner of U.S. Patent No. 5,073,484 ("the '484 patent") challenged the use of a reference in a SNQ because the reference was both cited in rejections during initial examination of the '484 patent and used in district court litigation to challenge the validity of the '484 patent.

The claims at issue in the '484 patent relate to a method for detecting binding molecules, e.g., antigens or antibodies, in a test solution. During initial examination, the Deutsch

patent ("Deutsch") was cited by the examiner against certain dependent claims as a secondary reference for the sole purpose of generally teaching antigen-antibody reactions. Amended claims subsequently issued.

In subsequent enforcement action, the defendant used Deutsch to challenge the validity of the three claims at issue in this appeal – independent claim 22 and dependent claims 23 and 24. While finding that the claims were not infringed, a jury also found that the accused infringer had not shown, by clear and convincing evidence, that the claims were invalid over, inter alia, Deutsch. The district court adopted the jury finding relative to Deutsch and the Federal Circuit affirmed the validity holding.

Following the appeal, the accused infringer filed an ex parte reexamination request at the USPTO asserting that Deutsch raised a SNQ as to claims 22 through 24 when viewed in a "new light." The re-exam examiner agreed, instituted the re-examination, and subsequently found invalid the very claims that had been found not invalid by the district court and the Federal Circuit over the same Deutsch patent.

In making this rejection, the re-exam examiner found that Deutsch anticipated or rendered obvious each of these claims. The Board of Appeals & Patent Interferences ("the Board") affirmed the rejection and dismissed the assertion of the patent owner that because Deutsch had been previously considered by the USPTO and the courts that it per se could not raise a SNQ in light of the 2002 amendments to 35 USC §303(a).

The patent owner appealed the Board decision to the Federal Circuit, again arguing that Deutsch could not raise a SNQ, either because Deutsch had been cited by the USPTO during the original prosecution, or because Article III courts had already determined that the claims were not invalid over Deutsch. The Federal Circuit disagreed, affirmed the Board decision, and found that Deutsch had been presented in a new light sufficient to satisfy the SNQ requirement.

The Federal Circuit realized the significance of this decision: "[w]e have not had the opportunity to evaluate the scope of the 'substantial new question' requirement since the 2002 amendment. Thus, this appeal presents issues of first impression." *Id.*, p.13.

Congress in 2002 amended 35 USC §303 to overrule the 1997 Federal Circuit decision of *In re Portola Packaging Inc.*, 110 F.3d 786 (Fed. Cir. 1997), by adding the additional sentence: "[t]he existence of a substantial new question of patentability is not precluded by the fact

that a patent or printed publication was previously cited by or to the Office or considered by the Office.”

The case presented the Federal Circuit with two questions related to the use of a previously considered reference in a subsequent ex parte re-examination.

First, can a reference used to challenge the validity of a patent in a district court proceeding be used to challenge the validity of the same claims in a subsequent ex parte reexamination? Second, can a reference applied in a rejection during the initial examination of a patent be used in a SNQ in a reexamination of the same claim or different claims?

The court first addressed the language of this sentence added to 35 USC §303(a) and its legislative history. The court determined that the “substantial new question” provision balances the policy goals of the reexamination statute of eliminating improperly granted patents on one side and preventing abusive tactics and harassment of patentees through the use of improper reexaminations on the other.

The Federal Circuit stressed the driving purpose of reexamination is to correct “errors” made during initial examination which result in erroneously issued patents. “Congress intended reexaminations to provide an important ‘quality check’ on patents that would allow the government to remove defective and erroneously granted patents.” *Id.*, p.11.

“While the standard is more flexible than before, we are mindful that Congress intended that the courts continue to ‘judiciously interpret’ the substantial new question standard to prevent cases of abusive tactics and harassment of patentees through re-examination.” *Id.* pp. 22-23.

Same Art, Same Argument, Different Forum

To resolve the first question, the court had to address the interplay between ex parte re-examination and District Court proceedings, particularly where the same invalidity positions are argued in both proceedings. The question on appeal was whether a reference found not to render claims invalid by an Article III court (and affirmed on appeal) can be used in a SNQ in the same manner for the same claims at the USPTO.

The court found that a final decision by an Article III court on the validity of patent claims over a reference does not bar a subsequent SNQ in a re-examination of the same claims using the same reference. In reaching this result the court addressed the fundamental

differences between the re-examination objectives and process and the enforcement of patents in the courts.

The court first looked to the language of the 35 USC § 303(a) to assess the reach of an Article III court's finding of validity into a subsequent reexamination proceeding.

"[T]he language added in the amended statute specifically discusses references 'previously cited by or to the Office or considered by the Office,' 35 U.S.C. § 303(a) (2002), but does not address any prior consideration by courts." *Id.*, p. 13.

The court then looked to the legislative history of both the original and amended re-examination statute finding the suggestion "that Congress was concerned only with the consideration of issues in prior PTO examinations, not prior civil litigations." *Id.*

Finally, the court pointed to the differences between the proceedings in the two forums as additional considerations limiting the reach of Article III court validity findings into a re-examination proceeding.

Specifically, the court noted that in civil litigation "a challenger who attacks the validity of patent claims must overcome the presumption of validity with clear and convincing evidence that the patent is invalid." *Id.*, p. 14.

Whereas, "[i]n PTO examinations and re-examinations, the standard of proof—a preponderance of evidence—is substantially lower than in a civil case. . . ." *Id.* The court further stressed the different standards for claim construction in the two forums. *Id.*, p. 15.

The court concluded "that Congress did not intend a prior court judgment upholding the validity of a claim to prevent the PTO from finding a substantial new question of validity regarding an issue that has never been considered by the PTO.

To hold otherwise would allow a civil litigant's failure to overcome the statutory presumption of validity to thwart Congress' purpose of allowing for a re-examination procedure to correct examiner errors, without which the presumption of validity never would have arisen." *Id.*, p. 16.

However, footnote 5 deserves special scrutiny: "[i]n contrast, an attempt to reopen a final federal court judgment of infringement on the basis of a re-examination finding of invalidity might raise constitutional problems." *Id.*, p18.

This footnote addresses the race to final determination between the parallel universes of a district court enforcement of a patent and the re-examination of the patent in the PTO. Both proceedings have the same path of appeal to the Federal Circuit and then possibly to the Supreme Court.

So this dicta suggests that if there is a final judgment in a patent enforcement action, it cannot be upset by a later re-examination finding that the claim in suit is invalid. That makes logical sense but the practical reality of these parallel proceedings is complex and undoubtedly will be addressed in subsequent Federal Circuit decisions.

Additionally, the Federal Circuit will also have to interpret the estoppel provisions for what constitutes available art in inter partes reexaminations in subsequent decisions.

Same Art, Same Forum, Different Purpose

To resolve the second question, the court addressed the interplay between initial examination and re-examination when the same reference is in front of the USPTO during the initial examination and a re-examination.

Specifically, what are the metes and bounds of determining when a reference is properly presented in a "new light" sufficient to support a SNQ. The patent owner urged the court to "adopt a bright-line rule that 'would preclude rejections in re-examinations based solely on references used in a rejection of claims in the original patent prosecution.'" *Id.*, p. 19.

The court declined stating that "under § 303(a) as amended, a reference may present a substantial new question even if the examiner considered or cited a reference for one purpose earlier in proceedings." *Id.*

The focus of whether a reference presents a SNQ is not "whether the reference was previously considered" but "whether the particular question of patentability presented by the reference in re-examination was previously evaluated by the PTO." *Id.*, p. 20.

"[T]o decide whether a reference that was previously considered by the PTO creates a substantial new question of patentability, the PTO should evaluate the context in which the reference was previously considered and the scope of the prior consideration and determine whether the reference is now being considered for a substantially different purpose." *Id.*, p. 21. If the reference is presented in a new light different than previously considered by the USPTO, the reference can present a SNQ.

Nonetheless, the facts in this case leave the concept of “presentation in a new light” open for much further interpretation.

The Federal Circuit noted that since “the limited scope of the examiner’s consideration of Deutsch is sufficient to find . . . a substantial new question of patentability, we need not consider what effect the change in scope of the claims would have had had Deutsch been more fully considered during the initial proceeding.” *Id.* p. 23, fn. 6.

As such, the court left for another day a full reconsideration of the issues presented in Portala Packaging in view of the 2002 amendment to 35 USC §303.

Another important question which remains unanswered is whether a subsequent change in the law might frame a previously considered reference in “a new light,” even if the reference was being considered in a similar scope for a similar legal issue, e.g., as a primary reference in an obviousness determination before and after the Supreme Court’s KSR decision.

Summary

The practical implications of this decision are large. Clearly, it will encourage more re-examinations to be filed, especially in the context of hard fought litigation. More re-examinations will be filed by accused infringers even in view of a favorable district court judgment for the patent owner as to validity.

It will further erode the antipathy many patent litigators have towards re-examinations, especially on the defense side. The official PTO statistics on re-examinations, as well as commentator data mining of re-examinations, support the conclusion that re-examinations are not improperly tilted in favor of the patent owner, especially if there is better art than was in the original examination, or previously considered art can be viewed in a different context.

The heightened standard of patentability created by the Supreme Court’s KSR decision may encourage more re-examination requests, giving the Federal Circuit further opportunity to refine the contours of what constitutes a SNQ.

Finally, with the lower burden of proof, broader claim interpretation and the ability to present multiple SNQs using the same reference in more than one combination make re-examination attractive when compared to many courts that limit trial time and where complex technology cases are tried to the jury.

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