

2016

## Reexamining Reexamination: Preventing a Second Bite at the Apple in Patent Validity Disputes

Nick Messana

n-messana2016@nlaw.northwestern.edu

---

### Recommended Citation

Nick Messana, *Reexamining Reexamination: Preventing a Second Bite at the Apple in Patent Validity Disputes*, 14 NW. J. TECH. & INTELL. PROP. 217 (2016).  
<http://scholarlycommons.law.northwestern.edu/njtip/vol14/iss2/4>

This Comment is brought to you for free and open access by Northwestern University School of Law Scholarly Commons. It has been accepted for inclusion in Northwestern Journal of Technology and Intellectual Property by an authorized administrator of Northwestern University School of Law Scholarly Commons.

# Reexamining Reexamination: Preventing a Second Bite at the Apple in Patent Validity Disputes

By Nick Messina\*

## ABSTRACT

*Throughout the centuries, patent law has developed and adapted to changing conditions. In particular, the growing importance of patents in innovation and economic performance has driven changes and advancement in patent law. As the number of patents filed has grown year after year, patent litigation has increased proportionately and placed strains on the judiciary. Preservation of judicial resources has necessitated an increasing reliance on administrative courts to help keep pace with the burgeoning caseload. At the same time however, the increase in patent litigation and the increasing reliance on administrative courts in supplanting the role of the judiciary has had problematic consequences.*

*In the modern litigation climate, litigants who are found liable for infringement of a valid patent in a full trial before an Article III court are routinely attacking that patent post-litigation through reexamination proceedings at the United States Patent and Trademark Office. Though this arguably presents significant constitutional concerns and promotes economically inefficient gamesmanship, the Federal Circuit has continuously reaffirmed this practice and the Supreme Court has declined to intervene. To remedy this situation, this Note argues that Congress should amend the patent system to avoid concurrent reexamination and litigation proceedings.*

---

\* Candidate for Juris Doctor, 2016, Northwestern University Pritzker School of Law. I'd like to thank my family for their unconditional love, support, and encouragement, as well as the members of Northwestern University's Journal of Technology and Intellectual Property for their assistance in editing this Note.

**TABLE OF CONTENTS**

Introduction.....	219
I. Brief Background of the USPTO and Patent Reexamination.....	220
A. The Purpose .....	220
B. The Process .....	222
II. Judicial Review of the USPTO’s Reexamination Authority .....	223
A. Early Court Decisions .....	223
B. Recent Court Decisions.....	224
1. <i>In re Swanson</i> .....	224
2. <i>In re Construction Equipment Co.</i> .....	225
3. <i>In re Baxter</i> .....	226
III. Congress Should Intervene .....	228
IV. Proposed Solutions.....	231
A. Stays of Litigation.....	231
1. Create a Cut-Off-Point.....	232
2. “Any Person Any Time” Requirement .....	233
3. The Result .....	234
B. Estoppels.....	234
Conclusion .....	235

## INTRODUCTION

¶1 Throughout the centuries, patent law has developed and adapted to changing conditions.<sup>1</sup> In particular, the growing importance of patents in innovation and economic performance has driven changes and advancement in patent law. As the number of patents filed has grown year after year, patent litigation has increased proportionately and placed strains on the judiciary. Preservation of judicial resources has necessitated an increasing reliance on administrative courts to help keep pace with the burgeoning caseload. At the same time however, the increase in patent litigation and the increasing reliance on administrative courts in supplanting the role of the judiciary has had problematic consequences.

¶2 In the modern litigation climate, litigants who are found liable for infringement of a valid patent in a full trial before an Article III court are routinely attacking that patent post-litigation at the United States Patent and Trademark Office (USPTO).<sup>2</sup> This practice — known as reexamination — has become so pervasive that at least one practitioner has suggested that it might be considered malpractice if counsel for an adjudicated infringer fails to pursue post-litigation relief at the USPTO.<sup>3</sup> Moreover, since many of the provisions of the Leahy-Smith America Invents Act (AIA) are aimed at expanding the availability of USPTO review,<sup>4</sup> it is likely that this practice will become more commonplace, further compounding the current unrest among patent owners.

¶3 Several well-reasoned arguments have been offered that such a post-litigation attack on a finally adjudicated valid patent presents significant constitutional concerns.<sup>5</sup> Other commentators have taken the stance that this increasingly accepted practice was not intended by Congress and serves as an example of unchecked opportunism.<sup>6</sup> Although the courts have begun to take the aforementioned constitutional concerns more seriously in

---

<sup>1</sup> The foundation of intellectual property law in the United States is found in the United States Constitution, Article I, section 8, which states in relevant part that “Congress shall have Power . . . To 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.” This provision of the Constitution is commonly referred to as the Intellectual Property Clause. Since the ratification of the Constitution, the Intellectual Property Clause has served as the basis of Congress’s power to enact patent laws protecting the rights of inventors in their inventions. Congress has exercised this power in a series of major patent throughout the years; the most recent of which is the Leahy-Smith America Invents Act of 2011, which came into effect on September 16, 2012.

<sup>2</sup> Wayne B. Paugh, *The Betrayal of Patent Reexamination: An Alternative to Litigation, Not A Supplement*, 19 FED. CIR. B.J. 177, 205–06 (2009).

<sup>3</sup> *Id.*

<sup>4</sup> See H.R. REP. NO. 112–98, pt. 1, at 45–46 & n.31 (June 1, 2011), reprinted in 2011 U.S.C.C.A.N. 67, 75–76 (“Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation . . . . The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system.” (quoting H.R. REP. NO. 96–1307, pt. 1, at 3 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462–63 (internal quotation marks omitted))).

<sup>5</sup> See Ron Andrew Sassano, *The Rise and Fall of Patent Reexamination Under the America Invents Act: The Burdens and Unconstitutional Aspects of Congress’s Latest Attempt at Reform*, 21 J. INTEL. PROP. L. 165 (2013); Wayne B. Paugh, *The Betrayal of Patent Reexamination: An Alternative to Litigation, Not a Supplement*, 19 FED. CIRCUIT B.J. 177 (2009).

<sup>6</sup> See Betsy Johnson, Comment, *Plugging the Holes in the Ex Parte Reexamination Statute: Preventing a Second Bite at the Apple for a Patent Infringer*, 55 CATH. U. L. REV. 305 (2005); Wayne A. Kalkwarf, *Stop in the Name of the PTO! A Review of the Fresenius Saga and the PTO-Judicial Interplay*, 22 J. INTEL. PROP. L. 315 (2015).

recent years, it does not appear that there is a judicial resolution forthcoming. Therefore, this note will argue that congressional amendment of the patent reexamination system presents the most immediate and straightforward solution.

Part II of this note will begin by providing a brief overview of the USPTO and the patent reexamination system. Part III of this note will examine Congress's intent in creating the patent reexamination process. Part IV of this note will then go on to analyze the courts' treatment of this issue, including the recent, unsuccessful constitutional challenges. Finally, Part V of this note will offer a summary of the issue before discussing potential legislative solutions.

## I. BRIEF BACKGROUND OF THE USPTO AND PATENT REEXAMINATION

The United States Patent and Trademark Office<sup>7</sup> is the executive agency charged with carrying out the patent laws enacted by Congress.<sup>8</sup> The USPTO examines each patent application to determine whether it should be issued.<sup>9</sup> Once a patent has been issued, the USPTO retains the power to review patent validity through the administrative mechanism of patent reexamination. Patent reexamination is a statutory process by which a patent holder or a third party can have a previously issued patent reexamined to determine whether the invention is still patentable, usually in light of prior art.<sup>10</sup>

### A. The Purpose

Patent reexamination was established in 1980 as part of an effort to address a number of perceived deficiencies in the patent system.<sup>11</sup> First, patent reexamination was to serve as a curative mechanism by which the patent office could correct its own mistakes, lessening the likelihood that a court would have to reverse the patent office's determination of patentability in any future case.<sup>12</sup> Second, the administrative review mechanism was to bring the United States patent system in line with other industrialized nations, which had long contained provisions for administrative review of patent validity.<sup>13</sup> Third, administrative review was to provide an alternative forum for resolving patent validity

---

<sup>7</sup> The U.S. Patent and Trademark office, an administrative agency within the Department of Commerce, is subject to the policy direction of the Secretary of Commerce. 35 U.S.C. § 1(a). The Director of the Patent and Trademark Office is "appointed by the President, by and with the advice and consent of the Senate." *Id.* § 3(a)(1). The Commissioner of Patents is appointed by the Secretary of Commerce and is charged with overseeing the Operations of the "office relating to patents."

<sup>8</sup> See 35 U.S.C. §§ 1(a), 2(a); see also Peter J. Corcoran III, *Administrative Procedure Act Standards Governing Judicial Review of Findings of Fact Made by the Patent and Trademark Office*, 7 RICH. J.L. & TECH. 1 ¶ 1 & n.1 (Fall 2000).

<sup>9</sup> See 35 U.S.C. § 2(a)(1).

<sup>10</sup> *Id.* § 302 (2012).

<sup>11</sup> Indeed, President Carter, signing the reexamination provisions into law, hailed them as bringing about "the most significant improvement in our patent laws in more than a century." 3 Pub. Papers 2803 (Dec. 12, 1980).

<sup>12</sup> See William T. Fryer III, *New United States Patent Re-examination Process--Background, Explanation and Analysis*, 10 EUR. INTEL. PROP. REV. 290, 293 (1981) (predicting that reexamination would go "a long way towards improving the public benefit from the patent system" by restricting patent claim coverage to its "proper" scope).

<sup>13</sup> For an extensive comparative study of British, German, Swedish, and Japanese opposition practice as it existed in the mid-1970s, see *Symposium, Opposition Systems*, 4 AM. PAT. LAW ASS'N Q.J. 92, 104-231 (1976).

disputes and effectively replace litigation as the primary mechanism for reviewing patent validity.<sup>14</sup>

¶7 This litigation-avoidance rationale warrants special consideration. Throughout the legislative debates leading up to the institution of the patent reexamination provisions in 1980 rhetoric about reexamination as an alternative to traditional civil litigation was prominent. The commissioner of the USPTO testified that the costs associated with judicial resolution of patent validity disputes placed “special hardships on small businesses and individual investors”<sup>15</sup> and predicted that the reexamination proceedings would “eliminate or simplify a significant amount of patent litigation.”<sup>16</sup> Legislators stated that reexamination would significantly reduce the number of patent cases filed in district courts.<sup>17</sup>

¶8 Indeed, proponents of reexamination seemed to believe that reexamination would develop as a true alternative to court adjudication of patent validity disputes, and that courts would voluntarily defer to the USPTO when presented with the opportunity. Accordingly, the reexamination proposals that were eventually enacted contained no provision requiring district courts to stay litigation on a patent pending the outcome of a reexamination proceeding.<sup>18</sup> Importantly, however, in enacting the reexamination provisions, Congress seemed to understand that it was stopping short of fashioning a procedure that would entirely replace court adjudication of patent validity.

---

<sup>14</sup> See, e.g., 1 KENNETH CULP DAVIS & RICHARD J. PIERCE, JR., ADMINISTRATIVE LAW TREATISE § 2.8, at 90–91 (3d ed. 1994) (explaining that agency adjudication offers several potential advantages over court litigation, including cost savings, superior results in terms of “accuracy and consistency,” and relief from a burden of litigation that the federal courts “could not possibly assume”).

<sup>15</sup> *Patent Reexamination: Hearings on S. 1679 before the Senate Comm. on the Judiciary*, 96th Cong. 13 (1979) (statement of Sidney Diamond, Comm’r PTO). “[T]here is a problem today with respect to the uncertain reliability of patents and the time and expense required to resolve that uncertainty through litigation . . . . A third party can question the validity of a patent only by means of a patent infringement or declaratory judgment action in Federal court. Almost always, infringement and declaratory judgment suits are expensive, protracted, and uncertain as to outcome. *Id.*

<sup>16</sup> *Id.* at 15–16 (“In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided . . . . In other instances, a reexamination proceeding in the PTO might more accurately define the scope of the patent [claims].”).

<sup>17</sup> See Senate Comm. on the Judiciary, 96th Cong., Patent Reexamination, S. REP. NO. 96–617, at 13 (1980) (reporting on S. 1679).

<sup>18</sup> See House Comm. on the Judiciary, 96th Cong., Amending the Patent and Trademark Laws, H.R. REP. NO. 96–1307, pt. 1, at 4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6463 (reporting on H.R. 6933, the House counterpart to S. 2446, which was the successor to S. 1679). “The bill does not provide for a stay of court proceedings. It is believed by the committee that stay provisions are unnecessary in that such power already resides with the Court to prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure. 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.” *Id.*

### B. The Process

¶9 Any person<sup>19</sup> at any time<sup>20</sup> may<sup>21</sup> request a patent reexamination.<sup>22</sup> For example, a patent owner may request a reexamination in order to confirm that his patent claims are still valid in light of any prior new art.<sup>23</sup> A third party may seek a patent reexamination in order to invalidate an owner's claim to the patent.<sup>24</sup> Two different types of reexaminations are available: (1) inter partes reexamination, and (2) ex parte reexamination.<sup>25</sup> Inter partes reexaminations may be requested by any member of the public, who then continue to take part in the reexamination proceeding before the USPTO.<sup>26</sup> Ex parte reexaminations, which were statutorily authorized by the Patent and Trademark Law Amendments Act of 1980,<sup>27</sup> do not involve the requesting party once the reexamination is initiated.<sup>28</sup>

¶10 To initiate a reexamination proceeding, the patent examiner or Director of the USPTO (Director) must determine that there exists “a substantial new question of patentability” regarding the claim(s) to the patent.<sup>29</sup> Indeed, the Federal Circuit has recognized that “the substantial new question of patentability is the focal point of every reexamination.”<sup>30</sup> In the case of ex parte reexaminations, the reexamination request must include “[a] statement pointing out each substantial new question of patentability based on prior patents and printed publications.”<sup>31</sup> A reexamination request will be granted only if the petitioner is able to clear this initial hurdle.<sup>32</sup> Once an ex parte reexamination has

---

<sup>19</sup> “Any person” includes any member of the public (including a corporate or governmental entity) as well as the patent owner. *See* MANUAL OF PATENT EXAMINING PROCEDURE § 2212 (9th ed. 2014) [hereinafter MPEP].

<sup>20</sup> “Any time” refers to the period of enforceability of the patent. *See* MPEP § 2211. The period of enforceability commences after issuance and extends for the patent term, and potentially up to six years afterwards. *See* 35 U.S.C. § 286 (2012). Additionally, if an infringement action was instituted within the time provided in § 286 and is still pending after the expiration of that time period, a reexamination request can still be filed because the patent is still enforceable against the defendant in the infringement action. *See* MPEP § 2211.

<sup>21</sup> Filing a reexamination request is permissive. *See, e.g., In re Continental Gen. Tire, Inc.*, 81 F.3d 1089 (Fed Cir. 1996) (holding that a district court lacks authority to compel an alleged infringer to file a third-party request for reexamination of the patent in suit in the infringement litigation); *cf.* Thomas A. Miller, *Court-Compelled Reissue-Reexamination—A Misplaced Exercise of Judicial Discretion*, 86 DICKINSON L. REV. 353, 367–73 (1982) (exploring the issue of court-compelled reissue under the short-lived Dann Amendments to the reissue statute).

<sup>22</sup> *See* 35 U.S.C. § 302 (2012) (“Any person at any time may file a request for reexamination . . .”).

<sup>23</sup> J. Steven Boughman, *Reexamining Reexaminations: A Fresh Look at the Ex Parte and Inter Partes Mechanisms for Reviewing Issued Patents*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 349, 351 (2007).

<sup>24</sup> *Id.*

<sup>25</sup> *See* Charles E. Miller & Daniel P. Archibald, *Interpretive Agency-Rulemaking vs. Statutory District Court Review-Jurisdiction In Ex Parte patent Reexaminations*, 92 J. PAT. & TRADEMARK OFF. SOC'Y 498, 504 (2010) (discussing types of patent reexamination).

<sup>26</sup> *Id.*

<sup>27</sup> Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015-17 (1980).

<sup>28</sup> Miller & Archibald, *supra* note 25, at 505. Ex parte reexaminations involve only the USPTO examiner and the patent owner. *Id.*

<sup>29</sup> 35 U.S.C. § 304 (2012); 37 C.F.R. §§ 1.515(a), 1.520 (2012).

<sup>30</sup> *In re Freeman*, 30 F.3d 1459, 1468 (Fed. Cir. 1994) (citations omitted).

<sup>31</sup> 37 C.F.R. § 1.510(b)(1)(2012).

<sup>32</sup> *Id.* § 1.525(a).

concluded, a party adversely affected by the decision of the USPTO examiner may appeal,<sup>33</sup> either to the Patent Trial and Appeal Board (PTAB) or to the Director.<sup>34</sup>

## II. JUDICIAL REVIEW OF THE USPTO'S REEXAMINATION AUTHORITY

¶11 As discussed above, Congress created the ex parte reexamination system in 1980 in an effort to simplify and reduce the cost of traditional patent litigation. Although reexamination was intended to be a true alternative to patent litigation, by the mid-1980's it had devolved into nothing more than a costly and inefficient supplement. Today, a clear body of federal case law has developed that upholds the USPTO's ability to disregard and abrogate a federal court's final adjudication of patent validity.

¶12 Aside from undermining the very purpose of the reexamination system, this power has raised serious constitutional concerns. The following section will briefly discuss the development of this power before going on to explore several recent cases that have culminated in an appeal to the Supreme Court. While the federal courts are beginning to take these constitutional concerns more seriously, the judiciary appears unlikely to resolve the current reexamination problem.

### A. Early Court Decisions

¶13 The case *In re Pearne*,<sup>35</sup> one of the earliest examples of the reexamination process in action, reflects the initial understanding that the reexamination process was intended to function as an alternative to litigation. In that case, the district court held the patent in question valid and the U.S. Court of Appeals for the Fourth Circuit affirmed on appeal.<sup>36</sup> After the Supreme Court denied certiorari, the petitioner requested a separate reexamination relying on prior art identical to that used in the trial. In *Pearne* the Commissioner explained:

The maximum benefit to the patent system occurs when the Patent and Trademark Office and the federal courts act in harmony. Accordingly, it scarcely seems appropriate for the Patent and Trademark Office to "relitigate" in a reexamination proceeding an issue of patentability which has been resolved by a federal court on the merits after a thorough consideration of the prior art called to its attention in an adversary context. If the prior art relied upon in the request for reexamination is the same as the prior art considered on the merits by a federal court or if the request merely raises issues actually resolved on the merits by a federal court, there simply is no substantial new question of patentability.<sup>37</sup>

---

<sup>33</sup> 35 U.S.C. § 306 (2012).

<sup>34</sup> *Id.* § 134(b). "A patent owner in a reexamination may appeal from the final rejection of any claim by the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal." A third party, however, may only appeal to the Director and does not have the option of going to the PTAB. 37 C.F.R. §§ 1.525, 1.181 (2012).

<sup>35</sup> *In re Pearne*, 212 U.S.P.Q. (BNA) 466 (1981), *aff'd*, 210 U.S.P.Q. 4 (4th Cir. 1981).

<sup>36</sup> See *id.* at 467.

<sup>37</sup> See *id.* (citing *AMI Indus. Inc., v. EA Indus. Inc.*, 204 U.S.P.Q. 568 (W.D.N.C. 1979)).



¶14 Nevertheless, a few years later, the Court of Appeals for the Federal Circuit (CAFC), in its en banc decision in *In re Etter*<sup>38</sup> offered the contradictory conclusion that reexamination and litigation are not “concepts in conflict.” The court continued, “On the contrary, those concepts are but further indication that litigation and reexamination are distinct proceedings, with distinct parties, purposes, procedures, and outcomes.”<sup>39</sup> The CAFC went on to reaffirm this interpretation in *Ethicon, Inc. v. Quigg*,<sup>40</sup> ruling that a final court decision upholding validity prior to, or during, an ex parte reexamination has no effect on the decision to grant a reexamination request because the USPTO is not bound by a court’s upholding of validity.<sup>41</sup>

### B. Recent Court Decisions

¶15 The *Ethicon* decision has since become the prevailing interpretation of the law today and has been followed by a recent line of CAFC jurisprudence starting with the CAFC’s holding in *In re Swanson*.<sup>42</sup>

#### 1. *In re Swanson*

¶16 The dispute in *Swanson* arose when Abbott Laboratories (Abbott) sued Syntron Bioresearch, Inc. (Syntron) for patent infringement in federal district court.<sup>43</sup> Syntron counterclaimed that the patents in question were invalid in light of prior art.<sup>44</sup> A jury returned a special verdict finding both that the patents-in-suit were not infringed and that Syntron had failed to prove by clear and convincing evidence that the patents were anticipated and therefore invalid.<sup>45</sup> On appeal, the Federal Circuit affirmed the judgment of validity on all asserted claims of the patents in question.<sup>46</sup>

¶17 Despite having lost an appeal to the highest judicial appellate court, Syntron did not cease its efforts. Syntron continued its attack by filing a request for an ex parte reexamination before the USPTO claiming that there was a substantial new question of patentability in light of the same references previously relied upon in the district court ruling.<sup>47</sup> The examiner granted the request for reexamination and eventually found the claims invalid in light of the prior art, contrary to the CAFC. The Board of Patent Appeals and Interferences (BPAI)<sup>48</sup> affirmed the examiners finding of invalidity, concluding that

---

<sup>38</sup> *In re Etter*, 852 F.2d 852 (Fed. Cir. 1985) (en banc).

<sup>39</sup> *Id.* at 857. For one commentator’s critical overview of the court’s decision, see Edmund J. Fish, Note, *Examining the Federal Circuit’s Position on the Presumption of Validity During Patent Reexamination*, 32 WAYNE L. REV. 1405 (1986).

<sup>40</sup> *Ethicon, Inc. v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988).

<sup>41</sup> See *id.* at 1428 (“The two forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions.”).

<sup>42</sup> *In re Swanson*, 540 F.3d 1368 (Fed Cir. 2008).

<sup>43</sup> *Id.* at 1373; see also *Abbott Labs. v. Syntron Bioresearch, Inc.*, 334 F.3d 1343 (Fed. Cir. 2003).

<sup>44</sup> *In re Swanson*, 540 F.3d at 1373.

<sup>45</sup> *Abbott Labs. v. Syntron Bioresearch, Inc.*, No. 98-CV-2359 (S.D.Cal. Oct. 12, 2001).

<sup>46</sup> *Abbott Labs.*, 334 F.3d 1343.

<sup>47</sup> *In re Swanson*, 540 F.3d at 1373.

<sup>48</sup> The AIA replaced the BPAI with the PTAB.

Syntron was not barred from raising a substantial new question of patentability even though an Article III court had previously ruled on the matter.<sup>49</sup>

¶18 Surmodics, the company that had licensed the patent to Abbott, appealed the finding of invalidity.<sup>50</sup> Having already received a favorable district court ruling, affirmed by the CAFC, Surmodics argued that the prior ruling precluded the “finding of a new question of patentability for the purposes of the reexamination” and “the examiner’s consideration of [the prior art] in the original proceedings also precludes finding a new question of patentability.”<sup>51</sup> After considering the language of the statute, its legislative history, and the different purposes underlying reexamination and federal court proceedings, the CAFC affirmed the finding of invalidity, despite having reached the opposite conclusion previously.<sup>52</sup> The Court attributed these contradictory conclusions to the differing standards of proof in court proceedings — “clear and convincing evidence” — and USPTO reexaminations — “a preponderance of the evidence” — finding the latter to be a lower burden.<sup>53</sup>

## 2. *In re Construction Equipment Co.*

¶19 Not long after *In re Swanson* was decided, *In re Construction Equipment Co.*<sup>54</sup> presented a dispute with a similar procedural history. Despite a prior judgment upholding the validity of the patent in federal district court, affirmed by the CAFC, the BPAI found the patent to be invalid in a subsequent reexamination, which had been initiated by the losing party in the prior litigation.<sup>55</sup> The patent holder then appealed the board’s decision to the CAFC, which affirmed in a brief opinion.<sup>56</sup>

¶20 Unlike the holding in *In re Swanson*, which was without a dissenting opinion, the holding in *In re Construction Equipment Co.* elicited a vigorous dissent from Federal Circuit Judge Pauline Newman. In her opinion, Judge Newman identified a fundamental question raised by the majority’s holding — “is a final adjudication, after trial and decision in the district court, and appeal and final judgment in the Federal Circuit, truly final? Or is it an inconsequential detour along the administrative path to a contrary result?”<sup>57</sup> Judge Newman lamented the fact that the majority’s holding had created a “curious, as well as unconstitutional, situation whereby this court’s final decision has devolved into an uncertain gesture, stripped of value in commerce as well as in law.”<sup>58</sup> Judge Newman concluded:

As a matter of constitutional plan, judicial power, legislative structure, and national innovation policy, a patent that has been held valid or invalid in court is not subject to administrative redetermination of the same issue. On these premises,

---

<sup>49</sup> *In re Swanson*, 540 F.3d at 1373.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.* at 1376.

<sup>53</sup> *Id.* at 1377 (citing 35 U.S.C. § 282 (2006); *In re Caveney*, 761 F.2d 671, 674 (Fed. Cir. 1985)).

<sup>54</sup> *In re Construction Equipment Co.*, 665 F.3d 1254 (Fed. Cir. 2011).

<sup>55</sup> *Id.* at 1255 (majority opinion); *id.* at 1257 (Newman, J., dissenting).

<sup>56</sup> *Id.* at 1255–56 (majority opinion).

<sup>57</sup> *Id.* at 1257 (Newman, J., dissenting).

<sup>58</sup> *Id.*

reexamination in the PTO is not generally available after the issue of patentability has been litigated to a final judgment from which no appeal can be or has been taken. The procedure here accepted is in violation of fundamental principles.<sup>59</sup>

At this point, the seemingly self-undermining aspects of patent reexamination rose to the level of a constitutional controversy.

### 3. *In re Baxter*

¶21 A short time after *In re Swanson*, the USPTO once again invalidated a patent that had been previously found valid by both the federal district court and the CAFC in *In re Baxter*.<sup>60</sup> The procedural history of this case is somewhat complicated and a discussion of the full details is necessary to understand precisely how the issue of judicial review of reexamination emerged in this case.

¶22 Baxter international, Inc., and Baxter Healthcare Corporation (collectively, “Baxter”) held three patents relating to a hemodialysis machine — the ‘027, ‘131, and ‘434 patents.<sup>61</sup> In 2003, Fresenius USA, Inc. and Fresenius Medical Care Holdings, Inc. (collectively, “Fresenius”), competitors of Baxter, “filed suit . . . seeking a declaratory judgment that the ‘027, ‘131, and ‘434 patent claims are invalid.”<sup>62</sup> Baxter counterclaimed, alleging that Fresenius had infringed each of these patents.<sup>63</sup> On Baxter’s motion, the district court granted partial summary judgment that Fresenius had infringed the ‘131 and ‘434 patents.<sup>64</sup> During a subsequent jury trial on validity, the jury nevertheless found each patent to be invalid.<sup>65</sup> The district court disagreed with the jury’s determination, finding that “substantial evidence does not support the jury’s [invalidity] verdict and granted Baxter’s motion for judgment as a matter of law,” awarding approximately \$14 million in damages.<sup>66</sup> On appeal in 2009, the CAFC affirmed the district court’s ruling as to the ‘434 patent.<sup>67</sup> As to the other patents at issue, however, the CAFC reversed, vacating and remanding the damage award for further consideration.<sup>68</sup>

¶23 In 2006, while the district court litigation was still ongoing, Fresenius requested an ex parte reexamination of the Baxter patents by the USPTO.<sup>69</sup> The patent examiner, relying on many of the same prior art references as the district court, declared the patents invalid and Baxter appealed.<sup>70</sup> Following this determination of invalidity, the CAFC issued the aforementioned decision finding the ‘434 patent to be valid.<sup>71</sup> Finally, the BPAI heard Baxter’s appeal of the examiner’s finding of invalidity and, though the Director ordered

<sup>59</sup> *Id.* at 1263.

<sup>60</sup> *In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012).

<sup>61</sup> *Fresenius USA, Inc. v. Baxter Intern., Inc.*, 582 F.3d 1288, 1293 (Fed. Cir. 2009).

<sup>62</sup> *Id.*

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

<sup>69</sup> *In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1360 (Fed. Cir. 2012).

<sup>70</sup> *Id.*

<sup>71</sup> *Fresenius USA, Inc.*, 582 F.3d at 1304.

the board to consider the CAFC's opinion, affirmed the examiners finding of invalidity.<sup>72</sup> The BPAI attributed this contradictory finding to the fact that the USPTO applies "a lower standard of proof and the broadest reasonable interpretation standard of claim construction" and is therefore not bound by the court's determination.<sup>73</sup>

¶24 In a final subsequent appeal, the CAFC upheld the decision of the BPAI.<sup>74</sup> In reaching its holding, the court explained that it "could not conclude that the PTO was barred from conducting the reexamination of the '434 patent because of the final judgment in *Fresenius* without overruling *Ethicon* and *Swanson*, which we cannot do."<sup>75</sup> This reasoning prompted another strong dissent from Judge Newman who chastised the majority for disregarding the potentially unconstitutional aspects of the *Swanson* precedent, stating "[n]o authority, no theory, no law or history, permits administrative nullification of a final judicial decision. No concept of government authorizes an administrative agency to override or disregard the final judgment of a court. Judicial rulings are not advisory; they are obligatory."<sup>76</sup>

¶25 The majority opinion once again grounded their holding in the differing standard of proof in USPTO and federal court proceedings and largely avoided Judge Newman's constitutional concerns.<sup>77</sup> However, the majority did concede that:

[W]hen a party who has lost in a court proceeding challenging a patent, from which no additional appeal is possible, provokes a reexamination in the PTO, using the same presentations and arguments, even with a more lenient standard of proof, the PTO ideally should not arrive at a different conclusion.<sup>78</sup>

Thus, the majority did seem to agree, at least implicitly, that the court should not "elevat[e] a decision by the PTO over a decision by a federal district court which [] has been affirmed by the[e] [[[CAFC] . . . ],"<sup>79</sup> despite their holding to the contrary.

¶26 So how did the majority reach their seemingly contradictory holding? As mentioned previously, the majority's primary rationale seemed to be that while uniform results in USPTO and federal court proceedings are preferable, they are not constitutionally required due to the differing standards of review.<sup>80</sup> Additionally, while the court did concede that the USPTO "ideally should not" reach a different conclusion than that reached in a prior judicial decision (in cases where the same prior art is considered), the court relied on the somewhat dubious claim that the USPTO considered additional prior art.<sup>81</sup>

---

<sup>72</sup> *In re Baxter Int'l, Inc.*, 678 F.3d at 1360.

<sup>73</sup> *Id.* at 1360–61 (quoting *Ex Parte Baxter Int'l, Inc.*, No. 2009-006493, 2010 WL 1048980 (B.P.A.I. Mar. 18, 2010)) (internal quotation marks omitted).

<sup>74</sup> *Id.* at 1366.

<sup>75</sup> *Id.* at 1365. In *Ethicon*, the CAFC held that the Commissioner of Patents and Trademarks has no authority to stay patent reexamination proceedings pending the outcome of a case in another district court involving allegations that the same patent was invalid. *Ethicon, Inc.*, 849 F.2d at 1422.

<sup>76</sup> *In re Baxter Int'l, Inc.*, 678 F.3d at 1366.

<sup>77</sup> *Id.* at 1364.

<sup>78</sup> *Id.* at 1365.

<sup>79</sup> *Id.*

<sup>80</sup> *Id.*

<sup>81</sup> *Id.* On this point, Judge Newman flatly disagreed, believing the majority's reliance on this argument to be motivated by their unwillingness to address the potentially unconstitutional aspects of their holding. *Id.* at 1369–70 (Newman, J. dissenting).

¶27 While the majority seemed unwilling to address explicitly the constitutional dimensions of their decision, they did acknowledge the principle that its decision arguably violates. The court stated that “this case is not about the relative primacy of the courts and the [PTO], about which there can be no dispute.”<sup>82</sup> Instead of addressing these issues, the court simply stated that “we could not conclude that the PTO was barred from conducting the reexamination of the [ ]patent because of the final judgment . . . without overruling . . . *Swanson*, which we cannot do.”<sup>83</sup>

¶28 Despite the majority’s unwillingness to overrule *Swanson* precedent in *In re Baxter*, it did appear that the holding had left members of the CAFC unsatisfied and the case was heading towards Supreme Court review. On November 5, 2013 an en banc review of the *Baxter* decision was denied. But this time, however, Judge Newman was not alone in dissenting.<sup>84</sup> The twelve-member Federal Circuit split 6-4 on the issue, with Judge Kathleen O’Malley writing that the “panel majority’s decision in this case goes a long way toward rendering district courts meaningless in the resolution of patent infringement disputes.”<sup>85</sup> Judge O’Malley went on to highlight the conflict the *Baxter* majority’s opinion had created with the D.C. Circuit’s opinion in *QUALCOMM Inc. v. F.C.C.*<sup>86</sup>

¶29 Nevertheless, on May 19, 2014 the Supreme Court denied *Baxter*’s petition for certiorari.<sup>87</sup>

### III. CONGRESS SHOULD INTERVENE

¶30 With the Supreme Court seemingly unwilling to confront the issues at hand, it falls to Congress to craft legislation to remedy the uncertainty created by the Federal Circuit’s precedents. From a policy perspective, Judge Newman summarized the problems created by this uncertainty succinctly in her separate dissent of the petition for rehearing en banc in the *Baxter-Fresenius* dispute described above, emphasizing that the Federal Circuit had “weakened” the incentive for innovation “by reducing the reliability of the patent grant, even when the patent has been sustained in litigation.”<sup>88</sup> Judge Newman noted that “[t]his loss cannot be underestimated, especially for technologies that incur heavy development

---

<sup>82</sup> *Id.* at 1365 (majority opinion).

<sup>83</sup> *Id.* The Court provided no additional justification for this holding, stating simply that it “[is] bound to follow [[its] own precedent as set forth by prior panels.” *Id.* (quoting *Hometown Fin., Inc. v. United States*, 409 F.3d 1360, 1365 (Fed. Cir. 2005) (internal quotation marks omitted)).

<sup>84</sup> *Fresenius USA, Inc. v. Baxter Int’l Inc.*, 733 F.3d 1369, 1372 (Fed. Cir. 2013) (O’Malley, J., dissenting).

<sup>85</sup> *Id.*

<sup>86</sup> 181 F.3d 1370 (D.C. Cir. 1999). In *QUALCOMM*, the D.C. Circuit held that an earlier decision it had issued regarding award of an F.C.C. license was final (despite a remand to the F.C.C. with respect to remedy issues), and therefore an intervening act of Congress that removed the basis for the court’s original decision had no effect on the prevailing party’s right to a remedy before the agency on remand. *Id.* Judge O’Malley explained that “[a]s in *QUALCOMM*, [the Federal Circuit’s] mandate established that *Baxter* was entitled to a remedy because infringement – and the right to damages – were established and litigated to finality.” *Fresenius USA, Inc.*, 733 F.3d at 1377. Thus, “[w]hile *Baxter* lost its *prospective* patent rights because of the PTO action,” the PTO “may not undermine a final determination of past liability, damages, and other right to appropriate post-verdict relief in *this* case between *these* parties.” *Id.*

<sup>87</sup> *Fresenius USA, Inc. v. Baxter Int’l Inc.*, 733 F.3d 1369 (Fed. Cir. 2013), *cert. denied*, 134 S.Ct. 2295 (Mem) (May 19, 2014).

<sup>88</sup> *Id.* at 1382.

costs yet are readily copied.”<sup>89</sup> She further highlighted that the “ensuing instability replaces innovation incentive with litigation costs.”<sup>90</sup>

¶31 This instability cuts against the stated purposes of the patent system and harms “the very lifeblood of a competitive economy.”<sup>91</sup> Reexaminations were never intended by Congress to provide an additional, *concurrent* route to contesting the validity of a patent, essentially permitting a challenger a “second bite at the apple.”<sup>92</sup> By permitting a challenger to attack the validity of a finally adjudicated patent through reexamination proceedings the underlying purposes of the reexamination system are lost. Rather, the opposite effect is actually achieved by increasing the cost of patent validity disputes, rather than reducing them. Judge Newman, herself one of the initiators of the reexamination system,<sup>93</sup> has emphasized that she “support[s] the concept of reexamination as an efficient and economical *alternative* to litigation in appropriate cases,” but has expressed these same concerns regarding “the distortion of this purpose, which was designed to provide a path to relief not available through the existing examination process.”<sup>94</sup>

¶32 Patents continue to play an increasing role in the United States economy. And the AIA has significantly increased the opportunities for challenging a patent via USPTO proceedings. Thus, it is likely that the problem of reexaminations that reopen litigated patent disputes will worsen before it improves.<sup>95</sup> From the creation of *ex parte* reexamination proceedings in 1980 through 2012, the annual number of filings has risen from 187 to 788.<sup>96</sup> Although requests dropped dramatically in 2013,<sup>97</sup> due in large part to the increased number of available post-grant review options,<sup>98</sup> the determinations on reexamination requests have remained steady, and the number of reexamination proceedings known to be involved in related litigation rose 22.5%.<sup>99</sup> Of the nearly 13,000 requests filed since inception, 92% have been granted, and approximately one-third of the patents involved were also known to be in litigation.<sup>100</sup> While all claims were cancelled in only 11% of reexaminations,<sup>101</sup> the majority – 68% of cases – resulted in claims being

---

<sup>89</sup> *Id.*

<sup>90</sup> *Id.* at 1383.

<sup>91</sup> *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

<sup>92</sup> See generally *Johnson*, *supra* note 6 (discussing potential abuse of reexamination proceedings by defendants).

<sup>93</sup> *Fresenius USA, Inc.*, 733 F.3d at 1383 (Newman, J., dissenting) (“I was one of the initiators of the reexamination system, the product of the Carter Commission on which I served. My concern is its abuse.”).

<sup>94</sup> *In re Baxter Int’l, Inc.*, 678 F.3d at 1369 (Newman, J., dissenting) (emphasis added).

<sup>95</sup> See *Fresenius USA, Inc.*, 733 F.3d at 1381 (expressing concern that “even years of litigated decisions, which may be affirmed piecemeal, could be rendered meaningless by much later [US]PTO decisions. And, when trial courts come to understand the fragility of their judgments, stays in the face of reexaminations-which the [[[US]PTO grants over 92% of the time-will become inevitable.”).

<sup>96</sup> The 787 *ex parte* reexamination filings in fiscal year 2012 is the total through September 30, 2012. In 2013, that number dropped to 305. *Ex Parte Reexamination Filing Data – September 30, 2013*, USPTO (Nov. 25, 2013), [http://www.uspto.gov/patents/stats/ex\\_parte\\_historical\\_stats\\_roll\\_up\\_EOY2013.pdf](http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf) [<https://perma.cc/55Y7-J7D5>].

<sup>97</sup> *Id.*

<sup>98</sup> See e.g., Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93 (2014) (discussing the recent growth in inter partes review filings).

<sup>99</sup> *Performance & Accountability Report*, USPTO 1, 200 (2013), <http://www.uspto.gov/about/stratplan/ar/USPTOFY2013PAR.pdf> [<https://perma.cc/N7T7-89EC>].

<sup>100</sup> *Ex Parte Reexamination Filing Data – September 30, 2013*, *supra* note 96.

<sup>101</sup> *Id.*

amended.<sup>102</sup> This high rate of claim cancellation or amendment, together with the generous standard of review employed in USPTO proceedings, will continue to make reexaminations an attractive option for litigants. In doing so, the reexamination process (in combination with patent litigation) will continue to drain both time and money from patent owners and the judicial system as a whole, all the while discouraging innovation by undermining the public's reliance on the patent system.

¶33 A related concern with the court's current jurisprudence and the AIA as a whole is the opportunity that has been created for harassment and dilatory litigation tactics. Cognizant of the opportunity that reexaminations present for these problems, Patent Commissioner Sidney Diamond, in creating the reexamination process back in 1980, stressed the importance of "carefully protect[ing] patent owners from reexamination proceedings brought for harassment or spite."<sup>103</sup> Relatedly one key consideration made by commentators at that time was that:

[A] party threatened with litigation has the opportunity to file reexamination requests on the patents concerned or, without doing anything, has the threat of such action to use in any negotiation which may be in progress. Likewise, a threatened party also has the opportunity of putting a number of patents into reexamination which are not even related to the subject matter of the threat. Thus, even where the party threatened with litigation is in a relatively weak position with respect to the asserted patents, he can very viably threaten to retaliate against the patent owner by counter-attacking where the patent owner is in a relatively weak position.<sup>104</sup>

With the increase in the availability of reexamination proceedings, it seems likely that there will be an increase in precisely what the creators of the reexamination system sought to avoid.

¶34 Current Federal Circuit precedent also gives infringers a strong incentive to drag out litigation while pursuing an ex parte reexamination proceeding. So long as some aspect of the litigation remains pending, ex parte reexamination proceedings offer litigants an opportunity to erase earlier losses in court.<sup>105</sup> This is particularly problematic, as 32% of all reexamination filings involve patents "known to be in litigation,"<sup>106</sup> and upon reexamination, 78% of patents have some or all claims cancelled or narrowed.<sup>107</sup> Indeed,

---

<sup>102</sup> *Id.*

<sup>103</sup> *Industrial Innovation and Patent and Copyright Law Amendments: Hearings on H.R. 6933, 6934, 3806, 2414 Before the Subcomm. on Courts, Civil Liberties and the Admin. of Justice of the H. Comm. on the Judiciary*, 96th Cong. 594 (1980) (statement of Sidney Diamond, Comm'r, PTO) ("The possibility of harassing patent owners is a classic criticism of some foreign reexamination systems and we made sure it would not happen here.").

<sup>104</sup> Anthony H. Handal, *Re-examination: Some Tactical Considerations-A Private Practitioner's Viewpoint*, 9 AIPLA Q.J. 249, 254 (1981).

<sup>105</sup> See Courtney Brinckerhoff, *Fresenius Escapes \$25 Million Damages Award, Based on Invalidation of Baxter Patent in Ex Parte Reexamination*, PHARMAPATENTS (July 8, 2013), <https://www.pharmapatentsblog.com/2013/07/08/fresenius-escapes-25-million-damages-award-based-on-invalidation-of-baxter-patent-in-ex-parte-reexamination/> [<https://perma.cc/9ZfV-RBHU>].

<sup>106</sup> *Id.*

<sup>107</sup> *Id.* 12% of ex parte reexamination certificates cancel all claims, and 66% of certificates change claims.

infringers have already invoked the *Fresenius* decision in an effort to escape prior damage judgments.<sup>108</sup>

¶35 This issue is compounded when the *Fresenius* decision is combined with the CAFC’s decision in *Robert Bosch, LLC v. Pylon Manufacturing Corp.*<sup>109</sup> In *Bosch*, the CAFC held that liability determinations in patent cases may be appealed before an adjudication of damages or a determination of willfulness.<sup>110</sup> This creates an incentive for district courts to bifurcate liability determination from damages and willfulness trials. This will in turn drag out litigation, resulting in multiple appeals and likely multiple remands, and thereby extend the opportunity for decisions of the USPTO to nullify previously issued judicial decisions.

#### IV. PROPOSED SOLUTIONS

¶36 The solution to the aforementioned problems is for Congress to revise the patent reexamination system. Specifically, Congress should implement two complementary statutory solutions: stays and estoppels.

##### A. *Stays of Litigation*

¶37 As noted previously, the original ex parte reexamination statute did not explicitly provide for a stay of court proceedings because Congress assumed that this was already within the courts’ power.<sup>111</sup> Congress did indicate, however, that the courts would use such power to “prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure.”<sup>112</sup> There was, of course, no mention of post-trial “maneuvering,” as Congress did not anticipate that reexamination would follow litigation.<sup>113</sup> Once again, Congress stressed that reexamination should function as an alternative to litigation.<sup>114</sup>

¶38 Congress should craft statutory guidelines that clearly articulate when a court should stay litigation and encourage the use of these stays without enacting mandatory or compulsory actions.<sup>115</sup> Specifically, Congress should create a “cut-off-point” in a trial after which proceedings may not be suspended in favor of a newly filed reexamination, while leaving the option to grant a stay to the court’s discretion prior to that point. In addition, Congress should revise the “any person at any time” requirement in the ex parte

---

<sup>108</sup> *E.g.*, Appellant Reply Br. 13, 15 & n.5, *ePlus, Inc. v. Lawson Software, Inc.*, Nos. 13-1506, 13-1587 (Fed. Cir. Jan. 16, 2014) (citing the *Fresenius* holding and arguing that already-awarded civil contempt sanctions for violating an injunction premised on a patent later invalidated by the PTO can be overturned).

<sup>109</sup> 719 F.3d 1305 (Fed. Cir. 2013) (en banc).

<sup>110</sup> *Id.* at 1319–20.

<sup>111</sup> *See* U.S.C.C.A.N. 6460, 6463 (reporting on H.R. 6933, the House counterpart to S. 2446, which was the successor to S. 1679).

<sup>112</sup> *Id.*

<sup>113</sup> *See* S. REP. NO. 96–617, at 14 (“Reexamination will also return the courts to their proper function of determining validity or patent infringement questions rather than serving as patent examiners.”).

<sup>114</sup> *See generally* H.R. REP. NO. 96–1307, pt. 1, at 4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6463.

<sup>115</sup> While a district court has inherent power to control its own docket, this solution is not without precedent. Under 11 U.S.C. § 362(a)(1), Congress directed automatic stays be imposed upon judicial proceedings when a debtor files for bankruptcy. This same principle may be applied when a reexamination has been filed with the USPTO.



reexamination status by adding a “real party in interest” section, similar to inter partes reexamination, to that provision.<sup>116</sup> These proposals will be discussed in turn.

### 1. Create a Cut-Off-Point

¶39 Congressional guidance is necessary here as the practice of issuing stays is far from uniform. In general, judges have considered three basic factors in determining whether to grant a stay of litigation: (1) whether a stay will unduly prejudice or grant a clear tactical advantage to the nonmoving party, (2) whether a stay will simplify the litigation, and (3) whether a stay is in the better interests of judicial economy.<sup>117</sup> The timing of the request for stay can also be critical,<sup>118</sup> as can the USPTO’s expected response time.<sup>119</sup> Overall, motions for a stay of litigation are more successful when filed early in the dispute.<sup>120</sup>

¶40 The recent patent trials *NTP, Inc. v. Research in Motion, Ltd.*<sup>121</sup> and *NTP, Inc. v. Palm Inc.*<sup>122</sup> conducted by Judge James R. Spencer of the U.S. District Court for the Eastern District of Virginia exemplify the above considerations. Both cases involved a request for a stay of proceedings. In the first, Research in Motion (RIM) sought a stay at the conclusion of its trial; whereas, in the second, Palm requested a stay of proceedings in the trial’s early stages, before a trial date had even been set.<sup>123</sup> In the RIM trial, Judge Spencer’s August 2003 Final Order declared, “RIM’s Motion to Stay Proceedings in Light of Director-Initiated Reexamination of NTP’s Patent is MOOT.”<sup>124</sup> In other words, entertaining a motion to stay proceedings at that point in the trial was essentially pointless.

¶41 In the subsequent appellate opinion, the Federal Circuit indicated that the USPTO had started reexamination proceedings for four of the patents at issue and had also granted RIM’s request for reexamination of another patent.<sup>125</sup> In a later order dated November 30, 2005, Judge Spencer, noting that RIM had been found liable for patent infringement over three years earlier, stated “this Court cannot and will not grant RIM the extraordinary

---

<sup>116</sup> See 35 U.S.C. § 302 (2006); *cf. Id.* § 311 (2000).

<sup>117</sup> See Wayne O. Stacy, Note, *Reexamination Reality: How Courts Should Approach a Motion to Stay Litigation Pending the Outcome of Reexamination*, 66 GEO. WASH. L. REV. 172, 178 (1997) (noting that, in considering whether to stay the whole litigation, courts have considered a number of factors, including: (1) the stage of litigation at which the stay is requested; (2) the probable effect of a stay on litigation; (3) the PTO’s expertise in determining validity; and (4) dilatory tactics in seeking either the reexamination or the stay).

<sup>118</sup> See Darren Jiron & Charles Lipsey, *Which Way to Go?*, IP L. & BUS. 1, 36 (July 2008)

<sup>119</sup> See Robert W. Fieseler, Note, *Staying Litigation Pending Reexamination of Patents*, 14 LOY. U. CHI. L.J. 279, 289–91 (1983).

<sup>120</sup> See Jiron & Lipsey, *supra* note 118, at 36; *see also* Fieseler, *supra* note 119, at 296–97 (“The opportunity to make use of the reexamination procedure during the early stages of a lawsuit favors the granting of a stay for reexamination. Litigants should not be permitted, however, to abuse the process by applying for reexamination after protracted, expensive discovery or trial preparation.”).

<sup>121</sup> *NTP, Inc. v. Research in Motion, Ltd.*, 397 F. Supp. 2d 785 (E.D. Va. 2005).

<sup>122</sup> *NTP, Inc. v. Palm Inc.*, No. 3:06-CV-836, 2007 U.S. Dist. LEXIS 97141 (E.D. Va. Mar. 22, 2007) (mem.).

<sup>123</sup> Stuart Weinberg & Roger Cheng, *Court Upholds Palm Request for Stay in NTP Dispute*, DOW JONES NEWSWIRE (Mar. 22, 2007); *Palm*, 2007 U.S. Dist. LEXIS 97141, at \*7–8; *see* Joseph Rosenbloom, *The Reexamination Gamble*, IP L. & BUS., 1, 34 (July 2008).

<sup>124</sup> *NTP, Inc. v. Research in Motion, Ltd.*, No. 3:01-CV-767, 2003 U.S. Dist. LEXIS 26837, at \*5 (E.D. Va. Aug. 5, 2003), *aff’d in part, rev’d in part, vacated in part*, 418 F.3d 1282 (Fed. Cir. 2005).

<sup>125</sup> *NTP, Inc. v. Research in Motion*, 418 F.3d 1282, 1291 n.3 (Fed. Cir. 2005); *see generally* Mark Heinzl, *Court Deals Blow to Blackberry Firm*, WALL ST. J., Dec. 1, 2005, at A3.

remedy of delaying these proceedings any further than they already have been based on conjecture.”<sup>126</sup> Judge Spencer concluded that “[v]alid patents would be rendered meaningless if an infringing party were allowed to circumvent the patents’ enforcement by incessantly delaying and prolonging court proceedings which have already resulted in a finding of infringement.”<sup>127</sup>

¶42 Judge Spencer’s rejection of RIM’s stay request was heavily predicated on RIM’s strategic decision to seek a “bottom-of-the-ninth” homerun in such a late stage of the trial. Not only was the delayed request at the expense of judicial economy; but also, more importantly, RIM’s request frustrated the intent of the reexamination statute. RIM’s approach also suggested that it was attempting to “game the system” through repeated attacks on the patents at issue.<sup>128</sup>

¶43 By comparison, Judge Spencer granted a motion to stay litigation pending the outcome of reexamination proceedings in *Palm, Inc.*<sup>129</sup> This was likely due to the fact that the *Palm, Inc.* dispute was still in its early stages.<sup>130</sup> Indeed, Judge Spencer even noted in his order that discovery was far from complete and a trial date had not yet been set.<sup>131</sup> Furthermore, the reexaminations of the NTP patents at issue were all ongoing, having commenced over three years earlier, and were currently in the appellate phase at the USPTO.<sup>132</sup> In contrast, RIM’s request to stay proceedings had come after a jury verdict, and the reexaminations had been only recently ordered.<sup>133</sup>

¶44 Still, the practice of issuing stays is inconsistent. Congress should therefore craft clear legislative guidelines that encourage courts to grant stays when conditions are favorable. Specifically, Congress should mandate that when a stay is granted, it occurs early in the trial process. The courts would still retain the power of discretion in deciding whether to issue stays, but Congress should limit courts’ discretion as to when those stays may be ordered. This would allow Congress to better control the sequence of reexaminations in relation to litigation and allow the statute to function in a manner more faithful to its original intent.

## 2. “Any Person Any Time” Requirement

¶45 In addition to these changes, Congress should also revise the “any person at any time” requirement for ex parte reexamination.<sup>134</sup> In doing so, Congress should replace it with a “real party in interest” requirement similar to the one found in inter partes

---

<sup>126</sup> NTP, Inc. v. Research in Motion, Ltd., 397 F. Supp. 2d 785, 788 (E.D. Va. 2005).

<sup>127</sup> *Id.*

<sup>128</sup> In a case in the Northern District of California, Judge Sandra Brown Armstrong chastised a defendant for requesting a stay after a jury verdict had already determined infringement. Rosenbloom, *supra* note 123, at 33. Judge Brown claimed the defendant was attempting to “game the system.” *Id.*

<sup>129</sup> NTP, Inc. v. Palm, Inc., No. 3:06-CV-836, 2007 U.S. Dist. LEXIS 97141, at \*10 (E.D. Va. Mar. 22, 2007) (mem.); Weinberg & Cheng, *supra* note 123.

<sup>130</sup> *Id.*

<sup>131</sup> NTP, Inc. v. Palm, Inc., No. 3:06-CV-836, 2007 U.S. Dist. LEXIS 97141, at \*7–8 (E.D. Va. Mar. 22, 2007) (mem.).

<sup>132</sup> *Id.* at 7–9.

<sup>133</sup> See NTP, Inc. v. Research in Motion, Ltd., No. 3:01CV767, 2003 U.S. Dist. LEXIS 26837, at \*5 (E.D. Va. Aug. 5, 2003), *aff’d in part, rev’d in part, vacated in part*, 418 F.3d 1282 (Fed. Cir. 2005).

<sup>134</sup> 35 U.S.C. § 302 (2006); *cf. id.* § 311 (2000).

reexaminations.<sup>135</sup> This would allow the USPTO to inquire into whether the reexamination requestor is involved in concurrent litigation involving the same patent and, if so, deny the reexamination request unless the district court has granted a stay of proceedings. In cases where there is ongoing parallel litigation, the USPTO should be estopped from proceeding with reexamination until the validity ruling is final. This would encourage the ex parte reexamination system to be used prior to or early on in the litigation process and also prevent any *Fresenius*-like parallel-proceeding issues from developing. Furthermore, this requirement would prevent some of the more nefarious examples of third-party gamesmanship that have taken place in recent years.<sup>136</sup>

### 3. The Result

¶46 By implementing these proposed changes, Congress could specify when a stay is eligible for consideration by the courts. Once a trial has passed a certain point, a stay of proceedings should no longer be an option. Furthermore, Congress should amend the requirements for requesting a reexamination. This would allow the USPTO to reject a request for reexamination if the patents at issue are involved in concurrent litigation and would play a critical role in ex parte estoppels, as the next section discusses.

#### *B. Estoppels*

¶47 Congress did not provide for any form of estoppel in the ex parte reexamination statute. Such a provision would eliminate the problem of a patent challenger getting “two bites at the apple”<sup>137</sup> and help return the reexamination system to its intended role as a true alternative to the litigation system. Specifically, Congress should establish a form of limited estoppel whereby issues of patentability actually raised and decided during reexamination would be barred from further challenge in federal court. This narrow estoppel could be crafted to apply in scenarios where a district court issues a stay of litigation during trial. The following case illustrates this estoppel in action.

¶48 Following its ill-fated dispute with NTP, RIM became involved in another patent infringement case against the Visto Corporation in the Eastern District of Texas.<sup>138</sup> Visto first filed suit in April 2006.<sup>139</sup> RIM subsequently argued for a motion to stay litigation pending the outcome of reexamination involving the four patents at issue.<sup>140</sup> The Court denied this initial motion in September 2007;<sup>141</sup> however, Magistrate Judge Charles Everingham later granted RIM’s renewed motion for stay in July 2008.<sup>142</sup>

<sup>135</sup> See 35 U.S.C. § 311(b)(1) (2006).

<sup>136</sup> See generally Scott A McKeown, *The Rise of the PTAB Troll*, PATENTS POST-GRANT (Dec. 17, 2013), <http://www.patentspostgrant.com/the-rise-of-the-patent-damage-troll> [<https://perma.cc/L9AA-NQQJ>].

<sup>137</sup> See generally Johnson, *supra* note 6, at 337–38 (discussing potential abuse of reexamination proceedings by defendants).

<sup>138</sup> See *Visto Corp. v. Research in Motion Ltd.*, No. 2:06-CV-181-TJW-CE, 2007 U.S. Dist. LEXIS 76134 (E.D. Tex. Sept. 28, 2007) (mem.).

<sup>139</sup> *Id.* at \*2.

<sup>140</sup> *Id.*

<sup>141</sup> *Id.* at \*4.

<sup>142</sup> See Jacqueline Bell, *Court Stays Visto-RIM Suit for Scrutiny of Patents*, LAW 360 (July 3, 2008), <http://www.law360.com/articles/61255/court-stays-visto-rim-suit-for-scrutiny-of-patents> [<https://perma.cc/SAG7-3FP3>]; see also Stephen Lawson, *Judge Grants RIM a Stay in Visto Patent Trial*,

¶49 Judge Everingham conditioned RIM's stay on two conditions. First, the court required RIM to agree not to challenge the validity of the patents at issue based on prior art considered during the reexamination process.<sup>143</sup> Second, the court required RIM to agree not to pursue further reexamination proceedings, even though there exists no statutory estoppels with regards to ex parte reexaminations.<sup>144</sup>

¶50 The *Visto* procedural history demonstrates that, in granting a motion to stay litigation, the courts have the power to condition the stay on certain requirements, such as those imposed by Judge Everingham. Congress also has this power<sup>145</sup> and should mandate that, in receiving the benefit of a stay, the mover should be required to adhere to certain parameters. For example, these parameters might include an agreement not to challenge the result of the reexamination in the district court and also not to seek a further reexamination based on the same issues or prior art. This would encourage litigants to file ex parte reexaminations early. Further, this would work in conjunction with the "real party in interest" requirement, and allow the USPTO to police any ex parte estoppel system created.

¶51 In addition to these proposed changes, Congress should take the opportunity to remedy the problem posed by the *Fresenius* case – that is, where a patent challenger pursues a reexamination of a finally adjudicated valid patent. In this type of scenario, the USPTO should be estopped from finding a "substantial new question of patentability" on issues of validity that have been actually decided based on prior art that was actually considered. The USPTO would be barred from considering issues of validity already fully litigated in court, thereby wholly avoiding any dispute over differing standards of proof. This provision would prevent those scenarios where a challenger decides not to seek a stay (thereby avoiding any estoppel), waits for the trial to conclude, then seeks a post-trial reexamination while appealing to the Federal Circuit.

¶52 Together, these proposed changes would help prevent challengers from pursuing post-litigation attacks at the USPTO and, conversely, from re-litigating issues that the USPTO have already decided. Furthermore, these changes would encourage courts to grant stays of litigation when appropriate, while requiring litigants to adhere to certain parameters. With these changes, the costly and inefficient gamesmanship present in the current system would be substantially curtailed.

#### CONCLUSION

¶53 In the modern age, a well-functioning patent system plays a crucial role in the United States economy. From time to time it is therefore necessary for the patent system to be modified to keep pace with changing conditions. Recently, increases in patent litigation and reexamination have inadvertently resulted in a situation where finally adjudicated patent validity disputes remain open to post-litigation attack through the reexamination process. Though this arguably presents serious constitutional concerns, the courts have to

---

PC WORLD (July 3, 2008), <http://www.pcworld.com/article/147946/article.html> [<https://perma.cc/67ZD-F4P8>]; Marin Perez, *RIM Gets a Delay in Visto Patent Trial*, INFORMATION WEEK (July 3, 2008), <http://www.informationweek.com/mobile/mobile-devices/rim-gets-a-delay-in-visto-patent-trial/d/d-id/1069574?> [<https://perma.cc/E9Y4-CCFC>].

<sup>143</sup> See Bell, *supra* note 142; see also Lawson, *supra* note 142; Perez, *supra* note 142.

<sup>144</sup> See Bell, *supra* note 142; see also Lawson, *supra* note 142; Perez, *supra* note 142.

<sup>145</sup> See *supra* note 115.

date been unwilling to resolve this issue on their own. Consequently, Congress should consider implementing stays and estoppels to ensure the patent system can continue to function in the manner it was originally intended.

