

Legal Updates & News

Legal Updates

Reexamination v. Litigation: Which Controls?

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Introduction

The *Translogic* cases suggest an answer to the question: “What happens to a judgment of infringement when the claims are later rejected in reexamination?” The cases — which are not yet over — appear to show that a finding of invalidity in the Patent Office can trump a validity finding and an infringement judgment from a district court. These proceedings provide a rare window into the interplay between judicial and administrative approaches to patents and claim construction. They also raise questions about the nature of appellate review, and how the patent system interacts with the Constitutional requirements of the Seventh Amendment reexamination clause and the Article II Appointments clause. The timeline of procedural events — although complicated, illustrates the significant substantive issues.

District Court and Board Proceedings

The *Translogic* cases involve parallel litigation and reexamination proceedings between Translogic Technology (the patent owner) and Hitachi, and two of its U.S. subsidiaries (the accused infringers). [1] On March 24, 1999, Translogic sued Hitachi for infringement of its '666 patent, which is directed to multiplexers. [2] Between June 4, 1999, and September 27, 2002, Hitachi filed five *ex parte* requests for reexamination of Translogic's patent. These were merged into a single reexamination proceeding.

The district court, which had initially stayed the case pending reexamination, lifted the stay in 2002 and allowed the case to proceed. In October 2003, the district court construed the claims and held a jury trial on validity, which Translogic won: the jury upheld the validity of Translogic's patent. Hitachi's post-trial motions on validity were denied in February 2004. A year later, the district court granted summary judgment of infringement as to some, but not all, of Hitachi's accused products. In May 2005, a jury in a second trial found that Hitachi had induced infringement and found Hitachi liable for \$86.5 million in damages. The district court entered a permanent injunction later that month, which was stayed by the Federal Circuit. [3] On July 1, 2005, Hitachi filed a motion for judgment as a matter of law (JMOL) on the inducement issue.

The reexamination proceeding took a different path. On March 8, 2004, the Examiner rejected all pending claims of the '666 patent as obvious. Translogic appealed that rejection to the Board. This affirmed the rejection on July 14, 2005, based upon its construction of the claims, and denied Translogic's request for rehearing in October 2005, Translogic appealed the Board's decision to the Federal Circuit.

Shortly after the Board's affirmance, Hitachi asked the district court to reconsider its claim construction and its denial of Hitachi's invalidity JMOL and new trial motion. In December 2005, the court denied Hitachi's motions [4] and entered its final judgment, later denying Hitachi's motion for new trial on damages. Hitachi appealed the district court's decision to the Federal Circuit.

The Federal Circuit consolidated all the appeals — Hitachi's interlocutory appeal and appeal from the final judgment, and Translogic's reexamination appeal from the Board.^[5] An appellate panel decided both appeals on October 12, 2007. As of that date, the USPTO had not yet issued a reexamination certificate cancelling the claims of Translogic's patent.

The Federal Circuit Panel Decisions

The Federal Circuit issued two opinions: *In re Translogic Technology* (the Board appeal) and *Translogic Technology v. Hitachi* (the district court appeal). In the Board appeal, the Federal Circuit concluded that the Board's construction was correct, and proceeded to affirm the finding of obviousness based on the application of KSR with that construction.^[6] In the district court appeal, the Federal Circuit issued a short, non-precedential opinion in which it vacated the infringement verdict and damage award, and remanded the case for dismissal.

One of the key issues presented by the *Translogic* cases is that the Board and the district court had construed a key claim term differently.^[7] The term at issue was "coupled to receive", in the phrase "the first and second signal input terminals coupled to receive first and second input variables." The district court construed it to mean "connected to receive an input variable, directly or through one or more intervening inverters or buffers," whereas the Board construed it to mean that the terminals were merely "capable of receiving" signals.

The Board's construction was broader, and made the claim term more vulnerable to an invalidity challenge. In reexaminations, as in examination, the USPTO must apply the broadest reasonable meaning to the claim language, taking into account any definitions presented in the specification.^[8] Giving claims their broadest reasonable construction "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified."^[9]

In theory, this is a different manner of construction than infringement cases, in which claim terms are to be accorded their "ordinary and customary meaning" — "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application."^[10] In practice, however, the result is often the same.

In the Board appeal in *Translogic*, although the panel mentioned the "broadest reasonable interpretation" rule, it performed a full *Phillips*-style claim construction analysis^[11] that ultimately rested on claim differentiation, as did the *Phillips* case itself. Concluding that the Board's broader construction was correct, the Federal Circuit panel then turned to the issue of obviousness.

The panel made short work of Translogic's patent, holding that Translogic's arguments suffered from the Federal Circuit's "rather straightforward error" that was "corrected" by KSR.^[12] The panel held that the Board properly found the claims to be obvious over the "Gorai" reference in view of the "Weste" reference. Specifically, the court held that

a person of ordinary skill in the art at the time of the invention would have recognized the value of using a known element, a 2:1 TGM, as taught by Weste, for the 2:1 multiplexers in the series arrangement of multiplexers in Gorai. A person of ordinary skill in the art would have appreciated that any conventional multiplexer circuit could be utilized to implement the 2:1 multiplexer circuits in Gorai. After all, TGMs were well-known multiplexer circuits as evidenced by the Weste 1985 textbook.^[13]

Having found the pending claims obvious, the Federal Circuit affirmed the decision of the Board.

In the district court appeal, the Federal Circuit did not issue an opinion that analyzed the district court's judgment in any depth (such as by examining whether there had been substantial evidence for the jury verdicts). Instead, it issued a short, non-precedential opinion in which it simply stated: "In light of this court's decision in *In re Translogic Tech., Inc.*, this court vacates the district court's decision and remands this case to the district court for dismissal."^[14]

Translogic's Petition for Rehearing

On October 26, 2007, Translogic petitioned the panel to rehear the two appeals, and for the Federal Circuit to take them *en banc*. The petitions raise interesting issues.

From the Board appeal, Translogic asks for a panel rehearing in order to remand the reexamination proceeding back to the USPTO to allow Translogic the opportunity to amend its claims to respond to the Board's rejection and conform them to the district court's claim construction (presumably in an effort to preserve both the patent's validity and the judgment of infringement).[15] Translogic also requests a rehearing *en banc*, attacking the Board's decision on the basis of the Appointments Clause of the U.S. Constitution, art. II, § 2, cl. 2, which provides that

[the President] by and with the Advice and Consent of the Senate, shall appoint . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

Notably, administrative patent judges have been appointed by the Director of the USPTO pursuant to 35 U.S.C. § 6 since March 29, 2003. Translogic argues that because the Director is not the President, the USPTO is not a "Court of Law"; Translogic then reasons that because the USPTO is not a "Department" with the Director as its head, the Appointments Clause prohibits Congress from investing the Director with the power to appoint the administrative patent judges of the Board.[16] In Translogic's view, the Board panel that heard its appeal (which included judges appointed by the Director) lacked the power to act.

From the district court appeal, Translogic asks the Federal Circuit to take the case *en banc* to address two issues (1), that the panel's one-sentence decision impermissibly gave "retroactive effect to that (prospective) reexamination certificate, applying it *nunc pro tunc* to the patent's issuance in disregard of the Supreme Court's repeated holdings that there is a presumption against retroactivity"; and (2), that the panel violated the "Seventh Amendment jury trial and reexamination clauses by relying solely on that (prospective) reexamination certificate, without regard to the standard for reviewing the denial of judgment as a matter of law." [17]

USPTO's Opposition to Petition for Rehearing

On December 27, 2007, the USPTO filed its opposition to Translogic's request for a rehearing of the Board appeal. The USPTO argued that Translogic had "sufficient opportunity to amend its claims during prosecution" because the Board's claim construction was the same as the examiner's.[18] With respect to the Appointments Clause issue, the USPTO argued (1) that Translogic forfeited the argument by not raising an objection before the Board or the Federal Circuit panel, and (2) that the "de facto officer" doctrine conferred validity on the Board's decision.[19]

Conclusion

Even though the ultimate outcome remains to be seen, the clear lesson for practitioners and litigants is that timing is everything. Hitachi has, to date, obtained a better result than did Research in Motion in the *NTP* case, in which the Federal Circuit affirmed a jury verdict of infringement even though there was a pending reexamination proceeding.[20] However the legal issues presented by the *Translogic* cases are ultimately resolved, the practical lesson is that patent challengers wishing to gain the benefit of a hoped-for rejection in reexamination should request that reexamination as quickly as possible.

Footnotes:

[1] *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007) (appeal from Board); *Translogic Tech., Inc. v. Hitachi, Ltd.*, Nos. 2005 – 1387, 2006 – 1333, 2007 WL 2973955 (Fed. Cir. Oct. 12, 2007) (unpublished) (appeal from district court).

[2] *In re Translogic*, 504 F.3d at 1251.

[3] *Id.*

[4] *Translogic Technology, Inc. v. Hitachi, Ltd.*, 404 F. Supp. 2d 1250, 1256 (D. Or. 2005), vacated and remanded, 2007 WL 2973955 (Fed. Cir. Oct. 12, 2007).

- [5] *In re Translogic*, 504 F.3d at 1251.
- [6] *Id.* at 1260.
- [7] *Id.* at 1257.
- [8] See *In re American Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).
- [9] *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). See also *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989) (“An essential purpose of patent examination is to fashion claims that are precise, clear, correct, and unambiguous. Only in this way can uncertainties of claim scope be removed, as much as possible, during the administrative process.”).
- [10] *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc).
- [11] *In re Translogic*, 504 F.3d at 1256.
- [12] *Id.* at 1259–60, 1261.
- [13] *Id.* at 1262.
- [14] *Translogic v. Hitachi*, 2007 WL 2973955 at *1.
- [15] Combined Petition for Panel Rehearing and Rehearing En Banc of *Translogic* at *5–8, *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007) (No. 06–1192) (available at 2007 WL 3388523).
- [16] *Id.* at *13–14.
- [17] Combined Petition for Panel Rehearing and Rehearing En Banc of *Translogic* at *4–5, *Translogic v. Hitachi*, Nos. 2005–1387, 2006–1333 (Fed. Cir. Oct. 12, 2007) (available at 2007 WL 3388522).
- [18] Brief for Appellee Director of the United States Patent and Trademark Office Opposing Panel Rehearing and Rehearing En Banc at *1, *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007) (No. 06–1192) (available at 2007 WL 4739046).
- [19] *Id.* at *8–10.
- [20] *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1292 n.3 (Fed. Cir. 2005).