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Federal Circuit Gives Big Nod to the Patent Office

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A recent Federal Circuit decision effectively enables defendants in patent infringement suits two parallel chances for challenging validity of asserted patents: in court and in the U.S. Patent and Trademark Office (“PTO”), which applies a lower evidentiary standard than a court proceeding.

In its September 4, 2008 ruling in *In re Swanson*, the Federal Circuit affirmed a decision of the Board of Patent Appeals and Interferences, in which the Board invalidated patent claims in a reexamination proceeding based on a prior art reference that had been considered in the previous litigation and the original examination. The ruling clarified the scope of the “substantial new question of patentability” requirement used in reexamination proceedings since a 2002 amendment of 35 U.S.C. § 303(a). Specifically, the Federal Circuit held that consideration of a prior art reference in the previous litigation and in the original examination does not preclude a finding of a new question of patentability based on the same prior art reference in reexamination.

Background

In 1998, Abbott Laboratories sued Syntron Bioresearch for alleged infringement of two lateral flow immunoassay patents, including U.S. patent No. 5,073,484 ('484 patent). The district court ruled that Syntron's pregnancy test kits infringed the asserted patent(s). Syntron then hired Morrison & Foerster, which filed and won a motion for reconsideration. A jury trial was held, returning a verdict of complete non-infringement of the asserted claims, but not finding Abbott's patents invalid. On appeal, the Federal Circuit affirmed all issues, except for the construction of a single term in the '484 patent.

After the Federal Circuit's decision, Morrison & Foerster won a reexamination request of the '484 patent. On remand, the district court held a bench trial and found that Syntron infringed the '484 patent based on the revised claim construction. After the district court's decision, the parties settled on the terms Syntron had originally proposed. The district court, however, stayed an injunction pending the outcome of the reexamination.

As the reexamination proceeded, the examiners rejected the claims of the '484 patent for lack of novelty and obviousness based on several prior art references, including U.S. patent No. 4,094,647 (the “Deutsch patent”), which was considered in both the original examination and the previous litigation. The Board of Patent Appeals and Interferences in the PTO affirmed the examiners' rejection.

The Federal Circuit's Decision

The patentee appealed the Board's decision to the Federal Circuit. The Federal Circuit stated that “this appeal presents issues of first impression” on the scope of the “substantial new question of patentability” requirement used in all reexamination proceedings since the 2002 amendment.

The patentee argued that consideration of the Deutsch patent in the previous litigation precludes a finding of a new question of patentability for purposes of the reexamination. The Federal Circuit rejected this argument based on the statutory language and legislative history of the amended 35 U.S.C. § 303(a), as well as several key differences between civil litigation in court and reexamination in the PTO. 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. By contrast, the standard of proof – a preponderance of evidence – is substantially lower in PTO reexaminations. There is no presumption of validity and claims are given their broadest reasonable interpretation consistent with the specification. The Federal Circuit stated that “[s]ection 303’s language and legislative history, as well as the differences between the two proceedings, lead us to conclude 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.”

The patentee also argued that “this reading of the statute—allowing an executive agency to find patent claims invalid after an Article III court has upheld their validity—violates the constitutionally mandated separation of powers, and therefore must be avoided.” The Federal Circuit rejected this argument because “the examiner’s rejection of claims in the ‘484 patent pursuant to reexamination does not disturb this court’s earlier holding.” The Federal Circuit concluded that “[a]s properly interpreted a ‘substantial new question of patentability’ refers to a question which has never been considered by the PTO; thus, a substantial new question can exist even if a federal court previously considered the question.”

The patentee further argued that consideration of the Deutsch patent during original examination in the PTO precludes a finding of a new question of patentability for the purposes of the reexamination. The patentee urged the Federal Circuit to adopt a bright-line rule that “would preclude rejections in reexaminations based solely on references used in a rejection of claims in the original patent prosecution.” The Federal Circuit declined the invitation because such a rule would be plainly inconsistent with the clear text of the amended Section 303(a), which now mandates that “the 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 Federal Circuit stated that “[t]he 2002 amendment removes the focus of the new question inquiry from whether the reference was previously considered, and returns it to whether the particular question of patentability presented by the reference in reexamination was previously evaluated by the PTO.” In the present case, the Deutsch patent was not evaluated as a primary reference that taught or made obvious the specific analytical method claimed, but rather was relied on as a secondary reference for the limited purpose of teaching immunoreactions in general. The Federal Circuit concluded that “[i]n light of the extremely limited purpose for which the examiner considered Deutsch in the initial examination, the Board is correct that the issue of whether Deutsch anticipates the method disclosed in claims 22, 23, and 25 [the claims at issue in this Appeal] was a substantial new question of patentability, never before addressed by the PTO.”

Implications of Federal Circuit Ruling

Congress established reexamination proceedings as a quality control mechanism in the PTO. Challenging the validity of a patent in reexamination has numerous advantages compared with an invalidity challenge in litigation. For example, in reexamination proceedings, there is no presumption of validity and claims are given their broadest reasonable interpretation. The standard of proof – a preponderance of evidence – is substantially lower than the clear and convincing standard in litigation. Challenging the validity of a patent in reexamination is also generally more cost effective than an invalidity challenge in litigation. With the establishment of the *inter partes* reexamination procedure and a central reexamination unit in the PTO, the use of reexamination has been increasing steadily in recent years.

Since the 2002 amendment to the “substantial new question of patentability” standard, questions have lingered about the prior art references that can be used to show the requisite “substantial new question of patentability” in reexamination. In this appeal, the Federal Circuit clarified that a “substantial new question of patentability” refers to a question that has never been considered by the PTO, and that a substantial new question can exist even if a federal court previously considered the question. The Federal Circuit further clarified that, when examining whether a question has been considered by the PTO in the original examination, the test is not “whether the reference was previously considered,” but rather “whether the particular question of patentability presented by the reference in reexamination was previously evaluated by the PTO.”

By endorsing the PTO's broad view of what qualifies as a substantial new question, the Federal Circuit has reinforced the attractiveness of reexamination as an alternative or supplement to district court invalidity challenges.