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## A Real Separation of Powers or Separation of Law: Can an Article I Administrative Agency Nullify an Article III Federal Court Judgment?

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### Cover Page Footnote

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# A Real Separation of Powers Or Separation of Law: Can an Article I Administrative Agency Nullify an Article III Federal Court Judgment?

Shashank Upadhye<sup>\*</sup> & Adam Sussman<sup>†</sup>

This Article concerns whether and how Article I administrative agencies can overturn the final judgment of an Article III federal court. The Article identifies if there really is a constitutional crisis afoot because of a violation of the separation of powers doctrine. It also addresses the concern that the federal court is the final arbiter of a legal dispute and that neither Congress nor an agency can step in

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to undo that which the federal court has done. The Article focuses on the newly enacted America Invents Act and the current use of administrative agency proceeding to reexamine issued patents as a tool to nullify patent infringement judgments.

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INTRODUCTION

Article III of the Constitution grants the federal courts plenary power to adjudicate legal disputes.<sup>1</sup> Article III also creates coveted judicial positions so that talented and keen attorneys can serve as federal court judges.<sup>2</sup> It is, without a doubt, an honor to serve as a federal judge. To some, it is heresy that once a federal court exercises its full constitutional powers, something or someone else can undo its decision.<sup>3</sup>

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<sup>1</sup> U.S. CONST. art. III, § 1.

<sup>2</sup> *See id.*

<sup>3</sup> Symposium, *Judicial Independence*, 11 CHAP. L. REV. 389, 395 (2008) (“I do think some of the ad hominem attacks on judges have gotten particularly nasty in the last several years, but that may be a mark of the general polarization of parties and the political debate we have had. Judges have taken some of the brunt. It is something that I think we

The patent laws are also constitutional.<sup>4</sup> The founders of the Constitution deliberately chose to enshrine the grant of patent rights in the main Constitution by allowing Congress the ability to create and administer the patent law.<sup>5</sup> The Constitution also empowers the government to create agencies to administer the federal laws.<sup>6</sup> Naturally, in promulgating laws, Congress cannot be expected to think of every contingency or every procedure, and as such, the administrative agency is delegated the power to create the more precise tools to administer the congressional law.<sup>7</sup>

The so-called patent law crisis that threatens to raise constitutional issues concerns how the patent laws operate within the ru-

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ought to keep our eyes on. We should try to keep the discourse civil. It is fine to criticize judges for their reasoning or for their decisions when there is disagreement. But when criticism turns particularly nasty and derogates into name calling, it is just possible, as Professor Geyh pointed out in his book, that if enough mud is slung around, some of it might actually stick. So, I think it behooves us all, whatever side of the issues we are on, to try to keep the discourse civil.”); *see generally* James S. Liebman & William F. Ryan, *Some Effectual Power: The Quantity and Quality of Decisionmaking Required of Article III Courts*, 98 COLUM. L. REV. 696, 703, 773–845 (1998) (positing a distinctive role for the federal courts in deciding a litigated case with finality, effectuality, and in accordance with all available law).

<sup>4</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>5</sup> *See id.* We define the “main” Constitution as being the original Articles versus subsequent Amendments. While some may suggest that rights enshrined in the original Articles are more important (because they came first) than subsequent Amendments, (*see, e.g.*, Mehrdad Payandeh, *Constitutional Aesthetics: Appending Amendments to the United States Constitution*, 25 BYU J. PUB. L. 87, 99 (2011)), others suggest that the Articles and Amendments maintain equal footing. *See, e.g.*, U.S. CONST. art. V (“The Congress, whenever two thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the Application of the Legislatures of two thirds of the several States, shall call a Convention for proposing Amendments, which, in either Case, shall be valid to all Intents and Purposes, as Part of this Constitution, when ratified by the Legislatures of three fourths of the several States, or by Conventions in three fourths thereof, as the one or the other Mode of Ratification may be proposed by the Congress; Provided that no Amendment which may be made prior to the Year One thousand eight hundred and eight shall in any Manner affect the first and fourth Clauses in the Ninth Section of the first Article; and that no State, without its Consent, shall be deprived of its equal Suffrage in the Senate.”).

<sup>6</sup> U.S. CONST. art. I, § 8, cl. 18; U.S. CONST. art. II, § 2.

<sup>7</sup> *See Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 843–44, (1984) (“The power of an administrative agency to administer a congressionally created program necessarily requires the formulation of policy and the making of rules to fill any gap left, implicitly or explicitly, by Congress. If Congress has explicitly left a gap for the agency to fill, there is an express delegation of authority to the agency to elucidate a specific provision of the statute by regulation.”).

abric of judicial oversight of patent infringement and the United States Patent and Trademark Office (“PTO”) process. As will be detailed herein, the problem lies in whether a defendant in a patent infringement proceeding (the putative infringer) can invoke PTO procedures to undo a federal court’s patent infringement verdict. That is, because a patent infringement verdict necessarily involves an issued and valid patent, once the infringer loses, can he get a “do-over” by expunging or impeaching the patent back at the PTO? And if so, under what circumstances can reexamination help or hurt the patentee?

In Part I, we examine the basic nature of the patent process and the advanced nature of the reexamination process. In Part II, we discuss the potential constitutional problem (i.e., the separation of powers) of whether the PTO violates the separation of powers doctrine by canceling the claim and its effect on parallel federal court litigation. In Part III, we discuss the concepts of finality and the final judgment rule. We also examine in Part IV whether the Due Process provision is implicated by canceling a federal court judgment of liability. In Parts V and VI, we examine certain remedies that may exist for patentees and defendants. In Part VII, we examine the effect of reexamination in the pharmaceutical patent litigation context and why reexamination may be useful in that context.

## I. THE PATENT AND REEXAMINATION PROCESS

### *A. Obtaining the Patent*

To understand the constitutional non-crisis, one must understand how a patent gets granted in the first place. The inventor files a patent application with the PTO, which then examines the application for compliance with the patent laws.<sup>8</sup> The examination process is iterative, with the PTO Examiner examining the application, and the inventor then amending the application and the claims to overcome any rejections.<sup>9</sup> An important aspect of the pa-

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<sup>8</sup> See 35 U.S.C. §§ 111, 131 (2012).

<sup>9</sup> *Id.* § 132.

tent document is the claims section.<sup>10</sup> The patent laws require that a claim pass the tests of novelty<sup>11</sup> and non-obviousness<sup>12</sup> in order to issue and become enforceable.<sup>13</sup> For novelty, the inventor must show that his invention is new and has not been disclosed in the public domain.<sup>14</sup> The term “prior art” is used to describe the information in the public domain, such as documents, publications, or activities.<sup>15</sup> Suppose, therefore, the patent application claims a machine having parts A, B, and C. If the prior art discloses the same machine having parts A, B, and C, then the PTO will reject the claim for want of novelty. The patent applicant can amend the claims to include further limitations (such as parts D and/or E) to overcome the rejection. If the prior art fails to teach the machine having parts A, B, C, and D, then the Examiner will withdraw the novelty rejections.

The Examiner also reviews the application claims for compliance with the non-obviousness requirement.<sup>16</sup> In the seminal case of *Graham v. Deere*, the Supreme Court identified factors to consider in determining if the claimed invention, though novel, would still be obvious in view of the prior art.<sup>17</sup> This means that the differences between the now-claimed invention and the prior art are not materially different or do not represent any inventive step forward.<sup>18</sup> So, even if the prior art does not teach the claimed ele-

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<sup>10</sup> *See id.* § 112(b) (“The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention.”).

<sup>11</sup> *Id.* § 102.

<sup>12</sup> *Id.* § 103.

<sup>13</sup> *Id.* § 271. Other provisions may also apply but are not necessarily relevant to this discussion.

<sup>14</sup> *Id.* § 102.

<sup>15</sup> *Id.* § 102(a).

<sup>16</sup> *Id.* § 103.

<sup>17</sup> *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 17–18 (1966) (“Under section 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.”).

<sup>18</sup> *Id.*



ments precisely, the claim is rejected if it is obvious over the prior art.<sup>19</sup>

The PTO construes the claim terms using the broadest reasonable claim construction.<sup>20</sup> This means that the Examiner uses a broad claim construction to ensure that the prior art, if it can, invalidates the claims.<sup>21</sup> The broadest reasonable claim construction standard is a judicial doctrine; it is not statutory.<sup>22</sup> To illustrate this concept, we will use the following example of an invention throughout this article. Suppose that the initial patent claim calls for a machine that connects two pieces by a fastener. The fastener described in the specification includes a nail, a bolt, and a rod, but does not describe any other fasteners such as snaps, Velcro®, glue, or tape.<sup>23</sup> As such, under the broadest reasonable interpretation standard, the Office may reasonably construe the claim to include all types of fasteners beyond those described in the specification. This ensures that a patent does not issue if it reads on the prior art. A federal court, on the other hand, may interpret the claim more narrowly to be the subset of fasteners recited in the specification.<sup>24</sup>

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<sup>19</sup> *Id.*

<sup>20</sup> *See, e.g.,* *Leo Pharm. Prods., Ltd. v. Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013) (“During reexamination, as with original examination, the PTO must give claims their broadest reasonable construction consistent with the specification.”); *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004) (“The broadest reasonable construction rule applies to reexaminations as well as initial examinations.”).

<sup>21</sup> *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d at 1364 (“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.”).

<sup>22</sup> Dawn-Marie Bey & Christopher A. Cotropia, *The Unreasonableness of the Patent Office’s “Broadest Reasonable Interpretation” Standard*, 37(3) *AIPLA Q.J.* 285, 288 (2009) (“During the examination process at the USPTO, the Office gives pending claims their BRI pursuant to decades old case law.”).

<sup>23</sup> *See, e.g.,* U.S. Patent No. 8,652,382, col.8, 1.57–60 (“In other embodiments, the mass can be provided with encapsulated inserts for receiving fasteners such as threaded bolts, snap fasteners, expanding fasteners, and the like.”).

<sup>24</sup> *See* *Bd. of Regents of the Univ. of Tex. Sys. v. BENQ Am. Corp.*, 533 F.3d 1362, 1368 (Fed. Cir. 2008) (“We next turn to the specification, which repeatedly distinguishes between a ‘word’ and a ‘syllabic element’ and indicates that a word is comprised of syllabic elements, confirming our understanding of the claim language and explaining that the terms ‘word’ and ‘syllabic element’ are not coextensive in scope.”); *Abbott Labs. v. Andrx Pharms., Inc.*, 473 F.3d 1196, 1210 (Fed. Cir. 2007); *Janssen Pharmaceutica, N.V. v. Eon Labs Mfg., Inc.*, 134 F. App’x. 425, 428 (Fed. Cir. 2005) (finding the specification

If the inventor's application is rejected, the inventor may appeal to the PTO Board of Appeals and, subsequently, to the U.S. Court of Appeals for the Federal Circuit.<sup>25</sup> On appeal, the Federal Circuit reviews decisions denying the patent application claims—that is, denying patentability—for substantial evidence.<sup>26</sup> In this regard, once the PTO rejects the patent claims over the prior art, those fact findings are given certain deference and the appellate court is more inclined to affirm the invalidity of the patent claims.<sup>27</sup>

### B. *The PTO Reexamination Procedure*

After a patent issues, it is not immune from attack—it can be pulled back into the PTO for reexamination.<sup>28</sup> The Director (formerly the Commissioner) of the PTO can order *sua sponte*, *ex parte* reexamination.<sup>29</sup> Members of the general public can instigate post-issuance “reexamination”<sup>30</sup> in form of an *Ex Parte* Reexamination (“EPR”),<sup>31</sup> a Post-Grant-Review (“PGR”),<sup>32</sup> or an *Inter Partes* Review (“IPR”).<sup>33</sup> As the name suggests, *ex parte* reexamination begins with an instigator to precipitate the action, but the instigator cannot participate in the ongoing process.<sup>34</sup> The *ex parte* nature is therefore only between the PTO and the patentee.<sup>35</sup> With IPR and PGR, the instigator gets to participate in the process.<sup>36</sup> The undis-

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may implicitly define a claim term); *Cultor Corp. v. A.E. Staley Mfg. Co.*, 224 F.3d 1328 (Fed. Cir. 2000).

<sup>25</sup> 35 U.S.C. §§ 134(a), 142 (2012).

<sup>26</sup> *See In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1361 (Fed. Cir. 2012) (“The scope of our review in an appeal from a Board decision is limited. We review the Board’s factual findings for substantial evidence and review the Board’s legal conclusions *de novo*. A finding is supported by substantial evidence if a reasonable mind might accept the evidence to support the finding.”).

<sup>27</sup> *Id.*

<sup>28</sup> 35 U.S.C. § 302 (2012).

<sup>29</sup> 37 C.F.R. § 1.520 (2014).

<sup>30</sup> For the remainder of the article, although the term “reexamination” used to have the independent meaning of *ex parte* and *inter partes* reexamination, we also include the term “reexamination” to include PGR and IPR. We also note that in the AIA, the *inter partes* reexamination was eliminated in favor of the *inter partes* review (IPR).

<sup>31</sup> 35 U.S.C. § 302 (2012).

<sup>32</sup> *Id.* § 321.

<sup>33</sup> *Id.* § 311.

<sup>34</sup> *Id.* § 302.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* §§ 314, 324.

puted congressional purpose in providing for reexamination is to put a quality check on the patent process to remove improperly granted patents.<sup>37</sup>

Instigating IPR or PGR requires a lower threshold of proof of unpatentability.<sup>38</sup> This threshold at the reexamination level is lower than what is normally used in civil litigation that tests a patent's validity.<sup>39</sup> Assuming that the PTO grants the post-issue proceeding and invalidates the claim, the patentee may appeal to the Federal Circuit Court of Appeals.<sup>40</sup> As with traditional appeals from the PTO, the Federal Circuit uses the same standard of review.<sup>41</sup> Because the PTO is mandated to use the broadest reasonable construction of a claim, the likelihood that prior art can apply to knock out a claim is higher.<sup>42</sup> In the end, if the PTO agrees that patentability is affected, the patent claim is canceled.<sup>43</sup>

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<sup>37</sup> See *In re Swanson*, 540 F.3d 1368, 1375 (Fed. Cir. 2008) (“Congress intended reexaminations to provide an important ‘quality check’ on patents that would allow the government to remove defective and erroneously granted patents.”); see also *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1396–97 (Fed. Cir. 1996) (“The reexamination statute’s purpose is to correct errors made by the government . . . and if need be to remove patents that never should have been granted.”).

<sup>38</sup> For the IPR, the threshold standard is a “reasonable likelihood” of prevailing. 35 U.S.C. § 314 (2012) (“(a) Threshold.— The Director may not authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”). For the PGR, the standard is a “more likely than not” standard. 35 U.S.C. § 324 (2012) (“(a) Threshold.— The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”).

<sup>39</sup> See *Swanson*, 540 F.3d at 1377 (“In PTO examinations and reexaminations, the standard of proof—a preponderance of evidence—is substantially lower than in a civil case . . .”).

<sup>40</sup> 35 U.S.C. § 141(c) (2012).

<sup>41</sup> *Id.*

<sup>42</sup> *Leo Pharm. Prods., Ltd. v. Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013) (“During reexamination, as with original examination, the PTO must give claims their broadest reasonable construction consistent with the specification.” (quoting *In re Suitco Surface, Inc.*, 603 F. 3d 1255, 1259 (Fed. Cir. 2010))).

<sup>43</sup> See 35 U.S.C. § 307 (2012).

### C. *The Effect of a Canceled Claim During Reexamination*

Because the patent claim once existed, but is canceled after reexamination, what happens to the claim itself? Is it treated as un-enforceable going forward, or was it indeed void ab initio? Because reexamination is predicated on reissue proceedings, both regimes state that a canceled claim from reexamination is treated as if it never issued in the first place.<sup>44</sup> In other words, and with all things being equal, a canceled claim never existed, and may impact any judicial determination of the claim in prior or pending federal court litigation.

The essence of the post-issue proceeding is that prior art may call into question the patentability of issued claims.<sup>45</sup> To this end, the nature of the prior art may come from different sources.<sup>46</sup> The instigator may find truly new prior art that was never considered by the PTO in the first place. The instigator may also proffer prior art that is part of ongoing federal court litigation. We now examine the nature of court litigation and the impact of a judgment.

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<sup>44</sup> See, e.g., *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1396–97 (Fed. Cir. 1996) (“The reexamination statute’s purpose is to correct errors made by the government . . . and if need be to remove patents that never should have been granted.”); *Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 976 (Fed. Cir. 1986) (“[T]he patentee has no rights [in a non-identical claim] to enforce before the date of reissue because the original patent was surrendered and is dead.” (quoting *Seattle Box Co. v. Indus. Crating and Packing, Inc.*, 731 F.2d 818, 827, 221 U.S.P.Q. (BNA) 568, 574 (Fed. Cir. 1984))); 35 U.S.C. § 307(b) (2012) (Reexamined “claims . . . have the same effect” as reissued claims. Cancellation of a claim during reexamination cancels out any previous enforcement right the patentee may have had.); *Bloom Eng’g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997) (“Unless a claim granted or confirmed upon reexamination is identical to an original claim, the patent cannot be enforced against infringing activity that occurred before issuance of the reexamination certificate.”).

<sup>45</sup> See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (“Before the courts, a patent is presumed valid and the party asserting invalidity must prove the facts to establish invalidity of each claim by clear and convincing evidence. In a reexamination proceeding, on the other hand, there is no presumption of validity and the ‘focus’ of the reexamination ‘returns essentially to that present in an initial examination,’ at which a preponderance of the evidence must show nonpatentability before the PTO may reject the claims of a patent application. The intent underlying reexamination is to ‘start over’ in the PTO with respect to the limited examination areas involved, and to re examine the claims, and to examine new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding.”) (citation omitted).

<sup>46</sup> See *id.*

*D. Patent Infringement: Burdens of Proof and Standards of Review*

In the typical patent infringement case, the accused defendant has the option of arguing that it does not infringe, and/or that the relevant patent claims are invalid.<sup>47</sup> For infringement, the patentee bears the burden of proving, by a preponderance of the evidence, that the accused defendant infringes.<sup>48</sup> On the other hand, for invalidity, the defendant bears the burden of proving, by clear and convincing evidence, that the relevant claims are invalid.<sup>49</sup> During the invalidity phase, the patentee need not prove that its claims are valid.<sup>50</sup> The trial court does not actually hold claims valid; because of the statutory presumption of validity,<sup>51</sup> the trial court only holds that the defendant did not discharge its burden of proving that the claims are invalid.<sup>52</sup> For shorthand, however, we refer to the trial court as having held a patent claim invalid or affirming its validity.<sup>53</sup>

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<sup>47</sup> See 35 U.S.C. § 282(b) (2012) (listing defenses to an infringement claim).

<sup>48</sup> See, e.g., *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 849 (2014) (“A patentee ordinarily bears the burden of proving infringement.”); *Meyer Intellectual Props. Ltd. v. Bodum, Inc.*, 690 F.3d 1354, 1370 (Fed. Cir. 2012) (“... our well-established law that a patentee must prove infringement by a preponderance of the evidence.”); *Creative Compounds, LLC v. Starmark Labs.*, 651 F.3d 1303, 1314 (Fed. Cir. 2011).

<sup>49</sup> See, e.g., *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242, (2011) (“We consider whether § 282 requires an invalidity defense to be proved by clear and convincing evidence. We hold that it does.”); *Eli Lilly & Co. v. Teva Pharm. USA, Inc.*, 619 F.3d 1329, 1336 (Fed. Cir. 2010) (“An accused infringer must prove invalidity by clear and convincing evidence.” (quoting *Robotic Vision Sys., Inc. v. View Eng’g, Inc.*, 189 F.3d 1370, 1377 (Fed.Cir.1999))); *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1376 (Fed. Cir. 2009) (“Because of this presumption, an alleged infringer who raises invalidity as an affirmative defense has the ultimate burden of persuasion to prove invalidity by clear and convincing evidence, as well as the initial burden of going forward with evidence to support its invalidity allegation.” (quoting *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed.Cir.2008))).

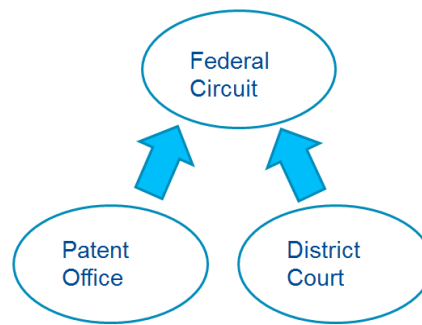
<sup>50</sup> See *Volterra Semiconductor Corp. v. Primarion, Inc.*, 796 F. Supp. 2d 1025, 1042 (N.D. Cal. 2011).

<sup>51</sup> 35 U.S.C. § 282 (2012).

<sup>52</sup> See *Brunswick Corp. v. Filters, Inc. (La.)*, 569 F. Supp. 1368, 1376 (S.D. Tex. 1983) (“Accordingly, the Court is of the opinion that defendants have failed to discharge their burden of proof of overcoming the presumption of validity accorded the patent in suit.”).

<sup>53</sup> We recognize that it is awkward English to state that the trial court held that the defendant failed to discharge its burden of proving invalidity. Similarly, technically, a defendant does not infringe a patent either. Rather, a defendant infringes the subject matter claimed in the patent. That is equally awkward, so we refer to conduct as “infringing the patent.”

Importantly, on appellate review, the Federal Circuit will review invalidity determinations *de novo*, but based on underlying factual considerations (for those questions of fact).<sup>54</sup> Fact-finding by the trial court is given deference by the Federal Circuit, as it reviews questions of fact under the clear error standard of review.<sup>55</sup> As such, jurisprudentially, a Federal Circuit judge may be troubled by the fact-finding, and may personally have found something different had he or she been the trial judge, but the standard of review governs the ultimate appellate disposition.<sup>56</sup> This parallel adjudication appeal to the same court of appeal is shown graphically:



The trial court, therefore, for typical invalidity determinations based on prior art, will evaluate the prior art in relation to the claims.<sup>57</sup> Because most of the typical invalidity arguments are based on the prior art (e.g., novelty or obviousness), the invalidity theories are reviewed by the appellate court under deferential fact re-

<sup>54</sup> See *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1747 (2014).

<sup>55</sup> See *Merck & Co., Inc. v. Teva Pharm. USA, Inc.*, 395 F.3d 1364, 1369 (Fed. Cir. 2005) (“On appeal from a bench trial, this court reviews the district court’s conclusions of law *de novo* and findings of fact for clear error.”).

<sup>56</sup> See *Weinar v. Rollform Inc.*, 744 F.2d 797, 810 (Fed. Cir. 1984) (“The juxtaposition of Weinar’s positions illustrates the impropriety of an appellate court’s substituting the personal views of its judges for that of a jury when that jury has reached a verdict based on substantial evidence. Beyond creating an appearance of judicial arrogance, Weinar’s suggested substitution would give those unsuccessful under the rules before a jury and a district judge the false feeling of entitlement to a *de novo* approach on appeal and a new chance to argue, this time in the abstract, that a patent is valid or invalid in light of the prosecution history and prior art.”).

<sup>57</sup> *In re Cruciferous Sprout Litig.*, 301 F.3d 1343, 1346 (Fed. Cir. 2002) (“[Invalidity] is determined by first construing the claims and then comparing the properly construed claims to the prior art.”).

view.<sup>58</sup> Therefore, if a trial court invalidates the patent claims, the Federal Circuit can reverse that judgment (“holding” the patent claims valid), or can affirm the invalidity.<sup>59</sup> Similarly, if the trial court affirms the validity, the Federal Circuit can affirm the validity (“holding” the patent claims valid), or reverse, and invalidate.<sup>60</sup>

But all considerations of infringement and invalidity require the first step of claim construction.<sup>61</sup> Because the patent claims are words in a document, the Supreme Court has held that interpreting just what those words mean is a question of law.<sup>62</sup> Several examples may be appropriate. In a first example, suppose an electronic device patent claims, among other things, a finger-swipe area to unlock a smartphone. The claim term could be construed to mean that the finger-swipe area has to be contiguous such that the finger swipes across the area in one linear (straight) flick. An accused infringer may have a device that has multiple finger-swipe areas that must be depressed by separate and distinct finger presses. As such, the claim construction could be dispositive of the infringement issue.

In a second example, suppose a contract contains a provision that states that “the performance by Party B must be completed by 5:00 PM on Day X.” Party B is located in California (on Pacific time) and Party A is in Maine (on Eastern time). Because of the three-hour time difference, when is the deadline for completion? Is it 5:00 PM Eastern time, or three hours later, at 5:00 PM Pacific

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<sup>58</sup> See *Ray v. Lehman*, 55 F.3d 606, 608 (Fed. Cir. 1995).

<sup>59</sup> 35 U.S.C. § 282 (2012).

<sup>60</sup> *Id.*

<sup>61</sup> See *Regents of Univ. of Minn. v. AGA Med. Corp.*, 717 F.3d 929, 939–40 (Fed. Cir. 2013) (“Like an infringement analysis, an anticipation analysis has two parts: first, the disputed claim terms are construed, then the construed claims are compared to the prior art.”).

<sup>62</sup> See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996) (“The duty of interpreting letters-patent has been committed to the courts. A patent is a legal instrument, to be construed, like other legal instruments, according to its tenor . . . . Where technical terms are used, or where the qualities of substances or operations mentioned or any similar data necessary to the comprehension of the language of the patent are unknown to the judge, the testimony of witnesses may be received upon these subjects, and any other means of information be employed. But in the actual interpretation of the patent the court proceeds upon its own responsibility, as an arbiter of the law, giving to the patent its true and final character and force.”).

time? A court adjudicating the “5:00 PM” would be construing that contract term as a matter of law. Applying the principles of contract law to patent law—because the Supreme Court rarely reviews patent claim term constructions—the Federal Circuit is the final arbiter of what a patent claim term means.<sup>63</sup>

The Federal Circuit has promulgated various rules on claim construction, tools for guidance, and factors to consider.<sup>64</sup> It is beyond the scope of this article to discuss all available tools of construction.<sup>65</sup> Needless to say, the Federal Circuit reviews claim constructions *de novo*,<sup>66</sup> per the tools it promulgated. Unlike the PTO, the Federal Circuit does not give any claim term its presumptive, broadest reasonable construction.<sup>67</sup> Rather, the Federal Circuit may construe a claim narrowly, may construe the claim such that the term is invalid, or may construe the claim to achieve an absurd result.<sup>68</sup> Accordingly, a disconnect immediately arises in the claim construction context. The Federal Circuit may construe a patent claim narrowly enough so as to preserve its validity, thereby not rendering the claim anticipated or obvious. On the other hand, the PTO will use its broadest reasonable construction standard, and

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<sup>63</sup> For another example of how claim construction can be dispositive, *see* *Zelinski v. Brunswick Corp.*, 185 F.3d 1311, 1316 (Fed. Cir. 1999) (construing how the weight between two points could have been either entirely within or partially within the two points).

<sup>64</sup> *See* *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005).

<sup>65</sup> For a description of various claim construction tools, *see* SHASHANK UPADHYE, *GENERIC PHARMACEUTICAL PATENT & FDA LAW*, §§ 2:3–2:24 (Thomson Reuters 2014).

<sup>66</sup> *See* *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1286 (Fed. Cir. 2014).

<sup>67</sup> *See, e.g.,* *Chef Am., Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1373–74 (Fed. Cir. 2004) (“The problem is that if the batter-coated dough is heated to a temperature range of 400° F. to 850° F., as the claim instructs, it would be burned to a crisp. Instead of the ‘dough products suitable for freezing and finish cooking to a light, flaky, crispy texture,’ ‘290 patent, col. 2, ll. 11–12, which the patented process is intended to provide, the resultant product of such heating will be something that, in the words of one of the attorneys in this case, resembles a charcoal briquet. To avoid this result and to insure that the patented process can accomplish its stated objective, Chef America urges us to interpret the claim as if it read ‘heating the . . . dough at a temperature in the range of,’ *i.e.*, to apply the heating requirement to the place where the heating takes place (the oven) rather than the item being heated (the dough). This court, however, repeatedly and consistently has recognized that courts may not redraft claims, whether to make them operable or to sustain their validity.”).

<sup>68</sup> *See id.*



might find the claimed subject matter anticipated or obvious.<sup>69</sup> In litigation, the more problematic consequence is that the very same prior art that was insufficient to prove patent invalidity (by clear and convincing evidence) due to a narrower claim construction, may be the very prior art that can be used to knock out a claim during reexamination under a broader claim construction.

*E. Parallel Reexamination and Federal Court Litigation: The Problem of Claim Construction Standards*

We alluded to the problem that claim construction itself can be the basis of the problem. When a federal court rules on a claim construction, its decision is treated as a matter of law.<sup>70</sup> That is, the ruling is not based on any fact-finding or deference to the facts.<sup>71</sup> Even early case law suggested that it is up to the courts to determine what the law is.<sup>72</sup> As such, the Federal Circuit's claim construction ought to be treated as "gospel." The claim term means

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<sup>69</sup> Policy reasons exist as to why the PTO uses its broadest claim construction in reexamination. *See In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359 (Fed. Cir. 2004) ("It would be inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, operate under the assumption the patent is invalid."). This makes very little sense because claim construction is a question of law that has nothing to do with presumptions of validity. The effect of claim construction may result in subsequent invalidity, but the effect does not color the claim construction itself. In fact, the courts have repeatedly held that claim construction ought to occur in the vacuum of infringement or invalidity. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1315 (Fed. Cir. 2005) (en banc) (discussing that claim construction is based on intrinsic evidence); *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) ("The court must properly interpret the claims, because an improper claim construction may distort the [later] infringement and validity analyses.").

<sup>70</sup> *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996).

<sup>71</sup> *See Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1286 (Fed. Cir. 2014) (en banc) ("The question that this court has now reconsidered is whether we should continue to review claim construction as a whole and de novo on the record, or whether we should change to a different system that at best would require us to identify any factual aspects and how the trial judge decided them, and review any found or inferred facts not for correctness but on a deferential standard, with or without also giving deferential review to the ultimate determination of the meaning of the claims. We conclude that such changed procedure is not superior to the existing posture of plenary review of claim construction.").

<sup>72</sup> *See Marbury v. Madison*, 5 U.S. 137, 177 (1803) ("It is emphatically the province and duty of the judicial department to say what the law is. Those who apply the rule to particular cases, must of necessity expound and interpret that rule. If two laws conflict with each other, the courts must decide on the operation of each.").

what the court says it means: nothing more, but nothing less. The scope of the claim term is fixed as a matter of law.<sup>73</sup> The PTO, therefore, ought to be bound by the claim construction of a parallel or prior court.

The Federal Circuit can impose this requirement of a binding claim construction even without overtly overturning the PTO's broadest reasonable construction standard. The court could state that the PTO's construction is not supposed to be the absolute broadest construction that is untethered to anything. Rather, the court could state that the PTO's broadest construction must still follow the general rules of claim construction, such as the *Phillips* standard.<sup>74</sup> The Federal Circuit alluded to this potential harmony in its *In re Giuffrida* decision.<sup>75</sup> There, the appeal to the court was from a typical *ex parte* reexamination, which had nothing to do with the trial practice side of the new Patent Trial and Appeal Board ("PTAB").<sup>76</sup> Yet, the court stated that the claim construction on appeal was not of unbounded breadth, but instead had to be in light of the specification, as interpreted by the ordinary artisan.<sup>77</sup> As such, the court was beginning to corral the scope of the PTO's claim constructions. Perhaps this decision began the process of merging the PTO and the court's claim construction standards.

But the PTO has not agreed to be bound to the parallel court claim construction,<sup>78</sup> nor has the court required the PTO to be so

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<sup>73</sup> See *Lighting Ballast Control LLC*, 744 F.3d at 1280.

<sup>74</sup> See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc).

<sup>75</sup> See *In re Giuffrida*, 527 F. App'x 981, 986 (Fed. Cir. 2013) ("That is so even under the Board's view that the broadest reasonable construction of 'portable' requires only that the item 'can be carried.' We note, however, that the Board drew its construction from a dictionary, whereas the PTO's traditional pre-issuance approach has been to give claims 'their broadest reasonable construction 'in light of the specification' as it would be interpreted by one of ordinary skill in the art.'") (citations omitted).

<sup>76</sup> *Id.* at 986.

<sup>77</sup> *Id.* at 987.

<sup>78</sup> See, e.g., *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (holding that the PTO during reexamination is not bound by a district court's claim construction because the PTO was not party to prior court litigation and hence no claim preclusion applied (citing *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1296-97 (Fed. Cir. 2007))); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 & n.3 (Fed. Cir. 1988) (rejecting the PTO's argument that it was bound by a court's decision upholding a patent's validity).

bound.<sup>79</sup> In fact, in the recent America Invents Act (“AIA”), the new rules governing IPR indicate that the PTAB ought to use the broadest reasonable construction.<sup>80</sup> In its first Covered Business Method patent review, the PTAB stated that it is not bound by constructions of parallel courts.<sup>81</sup> Indeed, the Office has stated that the claim construction used to instigate the IPR may change during the course of the IPR.<sup>82</sup>

The problem of the moral offense also becomes clear. If the courts have ruled that, because of a certain claim construction, a specific prior art reference fails to invalidate the claim, then a court would naturally feel offended if the PTO not only overturns the claim construction by construing it more broadly, but then also uses the very piece of prior art to invalidate the claim. It would be as if the court’s ruling and fact-finding did not matter at all. This tone of offense was clear in the *Fresenius* dissent.<sup>83</sup> Embedded within that decision was the concept that the PTO, as an Article I administrative agency, was overturning the Article III court’s decision and mandating what the court should do thereafter; i.e., when the PTO nullified the patent, the PTO said the court should do so too.<sup>84</sup>

If indeed claim construction is a matter of law, then the court’s decision must bind the PTO’s claim scope determination. There is simply no justification (anymore) for the PTO to use a different

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<sup>79</sup> See *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1369 (Fed. Cir. 2004) (“We have held that it is error for the Board to ‘apply the mode of claim interpretation that is used by courts in litigation, when interpreting the claims of issued patents in connection with determinations of infringement and validity.’” (quoting *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989))).

<sup>80</sup> See Patent Office Trial Practice Guide, 77 Fed. Reg. 48,756; 48,766 (Aug. 14, 2012); 37 C.F.R. § 42.100(b) (2012).

<sup>81</sup> See *SAP Am., Inc. v. Versata Dev. Group, Inc.*, No. CBM 2012-00001, Paper No. 70 (P.T.A.B. June 11, 2013).

<sup>82</sup> *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper No. 26 (P.T.A.B. Mar. 5, 2013) (stating that PTAB’s instigation claim construction was non-final).

<sup>83</sup> *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013) (Newman, J., dissenting). Judge Newman’s dissent in this case recapped theories of the constitutional plan, the doctrine of finality, and other arguments, but the tone was clear that she was offended that the Patent Office could essentially overrule the court’s decision of validity. See *id.*

<sup>84</sup> See *id.* at 1346.

standard because, in essence, it would be overruling a federal court's judgment as a matter of law.<sup>85</sup> Our solution, therefore, is to create a discrete set of rules that are respectful of the law and inform parties' expectations. First, if reexamination concerns a claim construction that has been issued by a prior or parallel federal court, then that claim construction binds the PTO. This is consistent with the notion that claim construction is a matter of law and that the courts are the final arbiter of what the law says.<sup>86</sup>

Second, if there is, or was, parallel court litigation, but the court did not either construe the claim at all or did not construe the relevant claim term specifically, then the PTO is free to use its traditional broadest reasonable construction standard. This solution is simple and inelegant, but it works.

By requiring the PTO to respect the legal determinations of the courts, the courts and judges are not offended by the PTO seemingly overturning the courts' decisions. Similarly, parties and the PTO have settled expectations as to how a claim will be construed.

## II. THE NON-CONSTITUTIONAL PROBLEM—THE ARTICLE I AGENCY DOES NOT TRUMP THE ARTICLE III COURT

Constitutional conspirators would read the reexamination-trumping patent cases as conflicting with separation of powers Supreme Court precedent, citing most often to *Plaut v. Spendthrift*

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<sup>85</sup> Detractors might argue that because the Patent Office conducts administrative proceedings, then the court-instigated claim construction is not actually binding. That, however, is not a valid argument. A claim construction, as a matter of law, determines what that claim term means for any context. That is, a term means what it means irrespective of the forum in which the question is asked.

<sup>86</sup> See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996) (“The duty of interpreting letters-patent has been committed to the courts. A patent is a legal instrument, to be construed, like other legal instruments, according to its tenor . . . Where technical terms are used, or where the qualities of substances or operations mentioned or any similar data necessary to the comprehension of the language of the patent are unknown to the judge, the testimony of witnesses may be received upon these subjects, and any other means of information be employed. *But in the actual interpretation of the patent the court proceeds upon its own responsibility, as an arbiter of the law, giving to the patent its true and final character and force.*” (quoting 2 W. ROBINSON, LAW OF PATENTS § 732 (1890))).

*Farm, Inc.*<sup>87</sup> The patent cases do not conflict. One must keep in mind the difference between what happens in the reexamination context and whether that *binds* or otherwise *mandates* that actions be taken by the courts, *versus* what the courts themselves do on their own accord because of the reexamination.

After a reexamination proceeding by the Article I agency (the PTO), the agency issues a certificate of reexamination that (in our hypothetical) cancels the patent claim.<sup>88</sup> The patentee, of course, can challenge that decision, as it did in *Fresenius*, and we assume for our hypothetical that the Federal Circuit affirms the PTO decision.<sup>89</sup> By affirming the PTO decision, the court simply affirms the cancelation of the claim. *At no point during the reexamination does the PTO direct another federal court to terminate any pending litigation.*<sup>90</sup> The certificate of reexamination simply states what happened, and does not mandate that any other party take any other action.<sup>91</sup> If a court entertaining a pending litigation takes action based on its own volition (or by motion of the accused infringer), such as dismissing the lawsuit, then that is of its own accord or by request of a party in suit.

The separation of powers doctrine is of no help because it is not implicated. First, it is not an express constitutional requirement.<sup>92</sup> No clause in the Constitution mentions any separation of powers.<sup>93</sup> Rather, the doctrine is judicially created, based on the framework of the Constitution that created different branches of government in the first three Articles, and it is not an absolute.<sup>94</sup> The Supreme

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<sup>87</sup> 514 U.S. 211, 219 (1995).

<sup>88</sup> *Fresenius USA Inc.*, 721 F.3d at 1336.

<sup>89</sup> *Id.* at 1338.

<sup>90</sup> *Id.* at 1339–40.

<sup>91</sup> Indeed, if Congress intended, perhaps ultimately fatally though, to strip a court of a final judgment because of a claim canceled in reexamination, it could have done so in the reexamination statute itself. *See, e.g., Plaut* 514 U.S. at 252–60 (Stevens, J., dissenting) (describing the situations where Congress has expressly set aside final judgments of Article III courts through retroactive legislation).

<sup>92</sup> Matthew James Tanielian, *Separation of Powers and the Supreme Court: One Doctrine, Two Visions*, 8 ADMIN. L.J. AM. U. 961, 961–62 (1995).

<sup>93</sup> *Id.*

<sup>94</sup> *See Plaut*, 514 U.S. at 260 (“As our most recent major pronouncement on the separation of powers noted, ‘we have never held that the Constitution requires that the three branches of Government ‘operate with absolute independence.’”).

Court and the inferior courts have used this amalgamation approach to create a separation of powers doctrine,<sup>95</sup> but it is not facially in the Constitution. To the extent the doctrine exists for classifying unlawful intrusion of one branch into another branch, the Ninth Circuit's test in *INS v. Chadha* (affirmed by the Supreme Court) posed the test as:

[1] an assumption by one branch of powers that are central or essential to the operation of a coordinate branch, [2] provided also that the assumption disrupts the coordinate branch in the performance of its duties and [3] is unnecessary to implement a legitimate policy of the Government.<sup>96</sup>

Using the *INS v. Chadha* test, the separation of powers doctrine problem fails. First, Congress created the reexamination system well aware that many times reexaminations involve co-pending litigations.<sup>97</sup> The reexamination system was created to vet out patent claims as an alternate forum to the courts but to leave the courts' ability to do so intact.<sup>98</sup> To this end, the PTO does not assume the sole duty of vetting patents by removing such power from the courts.<sup>99</sup> As discussed above, the PTO's decision does not order or mandate the courts to take any action, and hence, the PTO does not assume the power to dismiss litigation or the like.<sup>100</sup> The PTO's decision to cancel claims does not disrupt the ability of the courts to perform their duties.

*Plaut* does not help either. In *Plaut*, there was direct interference between Congress and the courts.<sup>101</sup> The plaintiffs in a securities fraud litigation filed suit on a certain date.<sup>102</sup> During the pendency of the case, the Supreme Court ruled in another case that the deadline to file suit had to occur within a certain time period.<sup>103</sup> As

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<sup>95</sup> *See id.*

<sup>96</sup> *INS v. Chadha*, 634 F.2d 408, 425 (9th Cir. 1980), *aff'd*, 462 U.S. 919 (1983).

<sup>97</sup> *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1336 (Fed. Cir. 2013).

<sup>98</sup> *See id.* at 1336–38.

<sup>99</sup> *See id.*

<sup>100</sup> *See id.* at 1338.

<sup>101</sup> *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 215–16 (1995).

<sup>102</sup> *Id.* at 213.

<sup>103</sup> *Id.* at 214.

such, the *Plaut* suit was then dismissed as being untimely.<sup>104</sup> The *Plaut* plaintiffs never appealed, and hence the dismissal was deemed final.<sup>105</sup> The *Plaut* case was over, completely. Later, Congress passed a law that overruled the Supreme Court’s deadline to file suit decision, extended the deadline, and—ultimately fatal to the law—Congress ordered that previously dismissed cases that were previously deemed untimely filed were now to be reopened by the courts and considered timely filed.<sup>106</sup> The law also gave retroactive effect to the previously filed cases.<sup>107</sup> When the *Plaut* plaintiffs filed the required motions to reopen the suits, the trial court agreed that the conditions set forth in the new congressional law were met, but ruled the law unconstitutional.<sup>108</sup> In affirming, the Supreme Court noted specifically that the congressional law was unconstitutional because it precisely required the federal courts to exercise judicial power.<sup>109</sup>

Proponents of the “reexamination to cancel claims” school of thought can distinguish *Plaut* on several grounds. First, in *Plaut*, Congress was the opposing branch of government in the form of a law, rather than an underlying agency.<sup>110</sup> In reexaminations, the PTO acts on the will of Congress pursuant to its expertise in administering the patent laws.<sup>111</sup> Second, the congressional law in *Plaut* was an express order to the courts to act.<sup>112</sup> In reexamination, there is no such final order to the courts to act.<sup>113</sup> Finally, the PTO is acting within its statutory ambit and, thus, it is up to Congress to remove that statutory authority; it is not up to the PTO to choose not

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<sup>104</sup> *Id.*

<sup>105</sup> *Id.*

<sup>106</sup> *Id.* at 214–15.

<sup>107</sup> *Id.*

<sup>108</sup> *Id.* at 215.

<sup>109</sup> *Id.* at 217–18 (“We conclude that in § 27A(b) Congress has exceeded its authority by requiring the federal courts to exercise ‘[t]he judicial Power of the United States,’ U.S. Const., Art. III § 1, in a manner repugnant to the text, structure, and traditions of Article III.”).

<sup>110</sup> *Id.* at 218–21.

<sup>111</sup> *See In re Swanson*, 540 F.3d 1368, 1375–76 (Fed. Cir. 2008).

<sup>112</sup> *See Plaut*, 514 U.S. at 217–18.

<sup>113</sup> *Id.* at 252–59 (1995) (“If Congress may enact a law authorizing this Court to reopen decisions that we previously lacked power to review, Congress must have the power to let district courts reopen their own judgments.”).

to act when the law requires it to do so simply in fear of a potential constitutional issue.<sup>114</sup>

Finally, one can even state that the separation of powers doctrine is not even implicated in the first instance. The Federal Circuit is an Article III constitutionally created court.<sup>115</sup> The Article III Federal Circuit appeals court is the same court, whether any appeal is from the PTO or from the district courts.<sup>116</sup> As such, even if the Federal Circuit affirms the PTO cancelation of claims, as an Article III *appellate* court, it can order an Article III federal *district* court to take action.<sup>117</sup> In the strange circumstance that one *panel* of the Federal Circuit is hearing the district court appeal and another *panel* is hearing the PTO appeal, the court has its mechanisms on how to resolve those cases as they are the same court, albeit different panels.<sup>118</sup> As such, the Federal Circuit speaks with one voice, and decisions within its own court do not raise separation of powers problems.

In the end, there is no inherent, structural constitutional separation of powers problem, though a problem might arise when actual litigants attempt to game the reexamination system to avoid liability.

### III. THE FINAL JUDGMENT PROBLEM AND THE QUEST FOR FINALITY

Ultimately, in a federal lawsuit, there is a judgment. When that judgment is final, there must be some finality. That is, assuming the infringer loses, the loser must at some point accept judgment no matter what may happen to the patent later. Of course, if the parties settle, the parties can craft the settlement contract to account for later changes. For example, under the final judgment rule, once an infringer loses the case (finally), pays damages, and is enjoined, if the patent is later invalidated, the infringer cannot seek

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<sup>114</sup> *Id.*

<sup>115</sup> 28 U.S.C. § 41 (2012).

<sup>116</sup> *Id.* § 1295.

<sup>117</sup> *Id.*

<sup>118</sup> *Id.* §§ 1291–96.



its money back.<sup>119</sup> Under a settlement, if the parties contract that obligations to pay are conditional on continued patent validity, then those terms will prevail.<sup>120</sup>

The putative constitutional problem lies in the concept of a final judgment. Where the litigation is ongoing on parallel reexamination and invalidates the patent, what happens then? What happens if the litigation is finally over? And what happens if parts of the litigation are over, yet some are still pending? In short, when is final really final?

The timing of finality matters. Finality means that the Article III court no longer is adjudicating the case, and only the judgment is left to execute. The constitutional problem may lie in attempts to get around the final judgment in order to avoid initial liability.

*A. Pending Court Litigation With Concurrent Reexamination: When is a Decision Final?*

Defining finality can be problematic. Suppose the patentee sues, and the accused infringer immediately instigates a reexamination. Because of the speed of reexamination, the claims in the patent are nullified prior to the district court litigation verdict. The district court ought to dismiss the patent litigation because no valid claim remains. If the accused infringer is finally liable (by appellate court ruling) and is ordered to pay damages, a later reexamination decision that nullifies the patent claims ought not strip the patentee of his award. The complication arises when parts of the district court litigation are still pending when the PTO nullifies the claims. Is there yet any final judgment? We now explore whether the patentee's rights and the effect of a reexamination decision nullifying the claims simply collapse into one of timing.

In its recent *Fresenius* decision, the Federal Circuit reasserted the claim that “an interim decision in one suit . . . cannot prevail over a final judgment on the same issue in another suit.”<sup>121</sup> Ironi-

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<sup>119</sup> *Id.* § 1291.

<sup>120</sup> See *Cordis Corp. v. Medtronic, Inc.*, 780 F.2d 991 (Fed. Cir. 1985); *Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253 (6th Cir. 1972); *Brulotte v. Thys Co.*, 379 U.S. 29, 32 (1964) (“[A] patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.”).

<sup>121</sup> *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013).

cally enough, the court made this statement, and then proceeded to vacate what the court itself considered to be a district court “final judgment” of patent infringement,<sup>122</sup> because an interim reexamination in the PTO ruled that the patent claims were invalid while the litigation was pending appeal.<sup>123</sup> But if a United States Court of Appeals can refer to a district court judgment as “final” and then abrogate the decision based on a subsequent ruling under Congressional authority, what does “final” really mean? Lack of an answer imperils the delicate, fundamental balance of fairness and equity with efficiency and clarity upon which our federal court system prides itself.

This Part of the Article begins with an exploration of the real meaning of federal judicial “finality” and compares the potential consequences to litigation of initiating and completing a USPTO reexamination *before* the completion of patent infringement litigation with instituting a reexamination only after adjudication on the merits. We then examine the different procedural avenues open to litigants to raise legitimate challenges to judicial finality—including opportunities within the Federal Rules of Civil Procedure<sup>124</sup> and through collateral attack<sup>125</sup>—and explain how principles including *res judicata*<sup>126</sup> and collateral estoppel<sup>127</sup> all but foreclose such opportunities to an alleged infringer seeking to overturn an adverse infringement ruling.

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<sup>122</sup> *Id.* (“In light of the cancellation of Baxter’s remaining claims, Baxter no longer has a viable cause of action against Fresenius. Therefore, the pending litigation is moot. We vacate the district court’s *judgment* and remand with instructions to dismiss.”) (emphasis added).

<sup>123</sup> *Id.* at 1336.

<sup>124</sup> *See* FED. R. CIV. P. 59, 60.

<sup>125</sup> *See* Popp Telcom v. Am. Sharecom, Inc., 210 F.3d 928, 941 (8th Cir. 2000) (“An action with an independent purpose and contemplative of another form of relief that depends on the overruling of a prior judgment is a collateral attack.”).

<sup>126</sup> *See* Oreck Direct, LLC v. Dyson, Inc., 560 F.3d 398, 401 (5th Cir. 2009) (“Res judicata prevents a later suit . . . from collaterally attacking a prior judgment by a court of competent jurisdiction.”).

<sup>127</sup> *See* Ashe v. Swenson, 397 U.S. 436, 443 (1970) (“It [collateral estoppel] means simply that when an issue of ultimate fact has once been determined by a valid and final judgment, that issue cannot again be litigated between the same parties in any future lawsuit.”).

### B. Finality

For all intents and purposes, the Supreme Court settled this dispute 150 years ago, when it held that Article III judgments are “final and conclusive upon the rights of the parties.”<sup>128</sup> The Court’s twentieth-century decisions echo this policy, defining a “final decree” as “one that finally adjudicates upon the entire merits, leaving nothing further to be done except the execution of it.”<sup>129</sup> The Court even made it clear that “a right, question or fact distinctly put in issue and directly determined by a court of competent jurisdiction . . . cannot be disputed in a subsequent suit between the same parties or their privies.”<sup>130</sup>

With respect to finality prior to adjudication of all merits, appellate decisions stated that the point of finality in litigation comes even prior to adjudication of *all* of the merits.<sup>131</sup> While one early Supreme Court decision considered a judgment to preclude relitigating any previously raised claims or defenses,<sup>132</sup> another decision seems to suggest that the Court finds the adjudicated nature of an action unchanged regardless of whether judgment has been entered.<sup>133</sup> More recently, the Second Circuit stated:

Whether a judgment, not ‘final’ in the sense of 28 U.S.C. § 1291, ought nevertheless be considered

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<sup>128</sup> Gordon v. U.S., 117 U.S. 697, 702 (1864).

<sup>129</sup> John Simmons Co. v. Grier Bros. Co., 258 U.S. 82, 88 (1922).

<sup>130</sup> Montana v. United States, 440 U.S. 147, 153 (1979).

<sup>131</sup> See, e.g., FED. R. CIV. P. 54(b); Curtiss-Wright Corp. v. Gen. Elec. Co., 446 U.S. 1, 7–8 (1980).

<sup>132</sup> See Cromwell v. Sac Cnty., 94 U.S. 351, 352–53 (1876) (“The judgment is as conclusive, so far as future proceedings at law are concerned, as though the defences never existed. The language, therefore, which is so often used, that a judgment estops not only as to every ground which might have been presented, is strictly accurate, when applied to the demand or claim in controversy. Such demand or claim, having passed into judgment, cannot again be brought into litigation between the parties in proceedings at law upon any ground whatever.”).

<sup>133</sup> See Wisconsin v. Pelican Ins. Co., 127 U.S. 265, 292–93 (1888). (“The essential nature and real foundation of a cause of action are not changed by recovering judgment upon it; and the technical rules, which regard the original claim as merged in the judgment, and the judgment as implying a promise by the defendant to pay it, do not preclude a court, to which judgment is presented for affirmative action, (while it cannot go behind the judgment for the purpose of examining into the validity of the claim,) from ascertaining whether the claim is really one of such a nature that the court is authorized to enforce it.”).

‘final’ in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review.<sup>134</sup>

The Fifth Circuit has supported this contention, declaring that “[t]o be final a judgment does not have to dispose of all matters involved in a proceeding.”<sup>135</sup>

Though patent infringement litigation would appear to be just one example of using Article III courts to enforce rights constitutionally administered by an Article I agency, the well-intentioned division of powers permits those challenging a patent’s validity to have “‘two bites of the apple.’ A nonpatent holder is permitted to both challenge a patent in the PTO and the district court.”<sup>136</sup> Indeed, to enforce a patent in federal court, “[a] necessary condition . . . is the existence of [a] valid . . . patent[.]”<sup>137</sup> Many alleged infringers have availed themselves of the opportunity to administratively challenge patent validity through PTO reexamination procedures,<sup>138</sup> whether prior to, during, or subsequent to infringement litigation. An analysis of the different points at which an infringement defendant asserts invalidity through the reexamination process will expose the comparative inequities in the consequences.

#### 1. Reexamination Concludes Before Adjudication on the Merits

Strangely at odds with the abrogative authority that the Federal Circuit accorded to a reexamination finding of invalidity in the *Fre-*

<sup>134</sup> *Lummas Co. v. Commonwealth Oil Ref. Co.*, 297 F.2d 80, 89 (2d Cir. 1961).

<sup>135</sup> *Pye v. Dep’t of Transp. of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975). Finality includes prior-adjudicated issues that are “sufficiently firm to be accorded conclusive effect,” and “a judgment may be final in a res judicata sense as to a part of an action although the litigation continues as to the rest.” RESTATEMENT (SECOND) OF JUDGMENTS § 13(e) (1982).

<sup>136</sup> *McNeil-PPC, Inc. v. Procter & Gamble Co.*, 767 F. Supp. 1081, 1086 (D. Colo. 1991).

<sup>137</sup> *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1340 (Fed. Cir. 1998).

<sup>138</sup> 35 U.S.C. § 302 (2012) (“Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301.”).

*senius* decision, the court took the position that confirmation of claim validity during reexamination cannot be conclusive such as to preclude litigation of the patentability issue.<sup>139</sup> This view has not stopped a federal district court from asserting that when the PTO issues a Reexamination Certificate, the burden of proving invalidity “is more difficult to satisfy, especially because all the prior art upon which it bases its anticipation defense . . . was before the examiner at both the original and the reexamination proceeding.”<sup>140</sup> District courts have accorded differing levels of authority to reexamination results, including considering them “highly probative,”<sup>141</sup> or giving them “deference”<sup>142</sup> or a “presumption of valid-

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<sup>139</sup> *Greenwood v. Hattori Seiko Co., Ltd.*, 900 F.2d 238, 240–41 (Fed. Cir. 1990) (“In an infringement suit before a district court, the invalidity of a patent under 35 U.S.C. § 103 must be decided on the basis of prior art adduced in the proceeding before the court. The issue cannot be decided merely by accepting or rejecting the adequacy of the positions taken by the patentee in order to obtain a Certificate or Reexamination for the patent. Once issued by the PTO, a patent is presumed valid and the burden of proving otherwise rests solely on the challenger.”). *See also* *Sawgrass Sys., Inc. v. BASF Corp.*, No. 2:98-3574-11, 1999 U.S. Dist. LEXIS 18198, at \*4 (D.S.C. Mar. 3, 1999) (“[A] reexamination is an *ex parte* proceeding which is not binding a district court that evaluated the validity of a patent at a later date. Indeed, in evaluating the validity of a patent, a district court must make an independent evaluation thereof, and may not simply rely upon the opinion of a patent examiner to determine a patent’s validity.”).

<sup>140</sup> *E.I. du Pont de Nemours & Co. v. Polaroid Graphics Imaging, Inc.*, 706 F. Supp. 1135, 1141 (D. Del. 1989).

<sup>141</sup> *E.I. du Pont de Nemours & Co. v. Cetus Corp.*, 19 U.S.P.Q.2d 1174, 1179 (N.D. Cal. 1990) (“The court therefore regards the PTO’s reexamination findings of validity for all claims . . . as highly probative on the issues considered and with respect to the prior art considered during reexamination”); *Quantachrome Corp. v. Micromeritics Instrument Corp.*, 97 F. Supp. 2d 1181, 1185 (S.D. Fla. 2000) (“The burden of proving the invalidity of a patent that has been subject to reexamination is even heavier than it would be in the absence of reexamination because the findings of the Patent Office are highly probative on the issues where prior art was considered.”).

<sup>142</sup> *Canady v. Erbe Elektromedizin GmbH*, 271 F. Supp. 2d 64, 78–79 (D.D.C. 2002) (“This court accords due deference to the PTO’s decision regarding the validity of the . . . patent in any potential future appeal. . . . [T]he PTO is a technically specialized administrative agency well-equipped to examine and determine patentability.”); *Ramp Research & Dev. v. Structural Panels*, 977 F. Supp. 1169, 1176–77 (S.D. Fla. 1997) (“The Court should give deference to the expertise of the Patent Office where the PTO twice found the invention patentable initially upon reexamination. . . . The burden of proving invalidity is made heavier when the patent has survived a reissue or reexamination in the PTO.”). One court qualified such deference, stating, “Deference due to PTO findings upon reexamination is appropriate only with respect to the evidence and prior art that was before both the PTO examiners and the Court.” *Cetus Corp.*, 19 U.S.P.Q.2d at 1180.

ity.”<sup>143</sup> Giving affirmative reexamination decisions such authoritative weight makes sense, because even without further recourse through the PTO, an alleged infringer still has litigation options after a patentee wins on the reexamination decision.<sup>144</sup>

## 2. Adjudication on the Merits Concludes Before Reexamination

As *Fresenius* made clear, when the analysis turns to infringement litigation that concluded prior to reexamination, other administrative proceeding, or intervening controlling authority, federal final judgments have not been treated with the same deference as

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<sup>143</sup> *Am. Permahedge, Inc. v. Barcana, Inc.*, 857 F. Supp. 308, 316 (S.D.N.Y. 1994) (“Upon issue, a patent is endowed with a statutory presumption of validity pursuant to 35 U.S.C. § 282, which is strengthened where . . . the patent undergoes reexamination.”). Another court detailed the rationale behind the presumption:

The Federal Circuit has held that a district court, in deciding a claim of patent invalidity, must give “credence” to a PTO reexamination proceeding, which has upheld the validity of patent claims involved in the litigation, where the prior art asserted in the district court was “much the same” as the prior art presented before the PTO in the reexamination. . . . Accordingly, when the PTO, upon reexamination, has confirmed or amended patent claims despite certain prior art, a district court analyzing the validity of those claims – in light of the same prior art – must recognize a rather formidable presumption of validity.

*In re Laughlin Prods., Inc.*, Patent Litig., 265 F. Supp. 2d 525, 529 (E.D. Pa. 2003).

<sup>144</sup> *Greenwood v. Seiko Instruments & Elecs. Ltd.*, 8 U.S.P.Q.2d 1455, 1456 (D.D.C. 1988) (“[T]he reexamination statute does not provide for review of a decision favoring the patentee.”); *Syntex (U.S.A.) Inc. v. U.S. Patent and Trademark Office*, 882 F.2d 1570, 1573–74 (Fed. Cir. 1989) (“Congress intended to limit appeals from final reexamination decisions to those initiated by patent owners seeking to reverse an unfavorable patent decision. . . . [A] third party requester has some rights . . . [but] no right to challenge the validity of the Reexamination Certificate by suit against the PTO.”); *Yuasa Battery Co. v. Comm’r of Patents & Trademarks*, 3 U.S.P.Q.2d 1143, 1144 (“[T]he statutory provisions regarding the reexamination of a patent and the rules promulgated in support thereof do not provide . . . for judicial review of a decision rendered in a reexamination proceeding for any party other than the patent owner.”). However, third parties still have options following reexamination, because “[a]n ex parte reexamination carries no threat of an estoppel against an unsuccessful third-party requester. The requester can continue to contest validity in a judicial action although a PTO confirmation will tend to make that contest more difficult.” 1-SA02 DONALD S. CHISUM, CHISUM ON PATENTS § 6.3.4.5 (2013).

prior-concluded reexaminations.<sup>145</sup> Forming a consensus about the point of finality in prior litigation—analogue to the granting or denial of a Reexamination Certificate—seems crucial to fairness and equity. The Supreme Court and the Federal Circuit both suggested that final judgment would provide that determinative punctuation.<sup>146</sup> However, as we have seen, finality may attach even prior to the entering of final judgment.<sup>147</sup> We now examine the different points at which courts have suggested that final judgment occurs.

- a) After decision on the merits, but before the damages award?

Both courts and federal supplements generally agree that no finality attaches to decisions on the merits without determining damages. In *Mendenhall v. Barber-Greene Co.*, a Federal Circuit case, Mendenhall sued both Astec and Cedarapids simultaneously.<sup>148</sup> The *Astec* suit upheld Mendenhall's patent claims, and the Federal Circuit affirmed the findings, then remanded "for determination of damages and other issues."<sup>149</sup> While the remand was pending, the *Cedarapids* court concluded that the same patents were invalid, and the Federal Circuit affirmed the ruling.<sup>150</sup> Astec moved, unsuccessfully, its trial court to vacate the affirmed liability judgment.<sup>151</sup> On appeal, the Federal Circuit held that when a federal appellate court upholds patent claims but remands for damages

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<sup>145</sup> See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013) ("In light of the cancellation of Baxter's remaining claims . . . [w]e vacate the district court's judgment and remand with instructions to dismiss.").

<sup>146</sup> *Marconi Wireless Tel. Co. of Am. v. United States*, 320 U.S. 1, 47-48 (1943) ("[T]he court did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case."); *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1582 (Fed. Cir. 1994) ("[T]he law of the case doctrine 'merely expresses the practice of courts generally to refuse to open what has been decided, not a limit to their power.'" (quoting *Messenger v. Anderson*, 225 U.S. 436, 444 (1912))).

<sup>147</sup> See *Lummas Co. v. Commonwealth Oil Ref. Co.*, 297 F.2d 80, 89 (2d Cir. 1961); *Pye v. Dep't of Transp. of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975).

<sup>148</sup> *Mendenhall*, 26 F.3d at 1576.

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

<sup>151</sup> *Id.* In other words, Astec was first to litigate and lose liability. Cedarapids was second to litigate but got a favorable invalidity ruling.

proceedings, no final judgment has been entered.<sup>152</sup> Secondary sources agree that, in the absence of fixed remedies, a liability determination is not final.<sup>153</sup> However, one federal district court initially refused to allow merely potential prospective intervening authority to void findings of validity and infringement even absent determination of damages.<sup>154</sup> That outlier court was quickly overruled by the Federal Circuit, which countered:

The district court incorrectly concluded that the reexamination decision can have no effect on this infringement suit even if the reexamination decision becomes final. . . . [I]f the reexamination decision of unpatentability is upheld in the court action . . . the

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<sup>152</sup> *Id.* at 1580. The court explained,

[T]his court did not rule that the patents were “valid” in its prior *Astec* judgment but rather ruled that *Astec* failed to establish the merits of its defenses of inequitable conduct and invalidity. Thus, this court did not “overturn” its prior *Astec* rulings respecting validity by the *Cedarapids* judgment of invalidity, and it does not do so here by recognizing the overriding defense of collateral estoppel. Secondly, the judgment of this court on liability in *Astec* resulted in a remand for further proceedings. It was not the final judgment in the case. To rise to that level, the litigation must be entirely concluded so that Mendenhall’s cause of action against *Astec* was merged into a final judgment.

*Id.* The Court described the invalidation of the asserted patent in the *Cedarapids* litigation as “intervening controlling authority.” *Id.* at 1583.

<sup>153</sup> See RESTATEMENT (SECOND) OF JUDGMENTS § 13(b) (1982) (“Finality will be lacking if an issue of law or fact essential to the adjudication of the claim has been reserved for future determination, or if the court has decided that the plaintiff should have relief against the defendant of the claim but the amount of damages . . . remains to be determined.”); 18A CHARLES A. WRIGHT, ARTHUR R. MILLER, & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 4432 (2d ed. 2002) (citing *G. & C. Merriam Co. v. Saalfeld*, 241 U.S. 22, 28, 29 (1916)) (“An order that establishes liability but leaves open the question of damages or other remedies . . . [is] not final for purposes of preclusion under traditional analysis.”).

<sup>154</sup> See *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 810 F. Supp. 1072, 1075–76 (W.D. Mo. 1993) (“In this case, this Court returned a plaintiff’s verdict. The appellate court affirmed this Court as to the issues of patent validity and infringement. It remanded the matter to this Court solely for the purpose of determining the appropriate amount for damages. The issues of patent validity and infringement have been fully decided as to this case. This Court apprehends of no case or rule of law that holds that a final judgment in a separate lawsuit, in a separate jurisdiction, which may or may not be rendered at some undetermined point in the future would control and, indeed, void this Court’s judgment in this case.”).



injunction would thereby immediately become inoperative. In addition, if a final decision of unpatentability means the patent was void ab initio, then damages would also be precluded.<sup>155</sup>

b) After damages award?

The focus on the existence (or nonexistence) of a damages verdict is a sticking point. But if a damages verdict exists, then courts should consider the judgment as final. Even then, however, the existence of a damages verdict was not always deemed sufficient.<sup>156</sup> Similarly, in *Translogic Technology Inc., v. Hitachi, Ltd.*, the patent owner had already prevailed on validity and infringement, received an award of damages, and had a permanent injunction entered in its

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<sup>155</sup> *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 996 F.2d 1236, 1236 (Fed. Cir. 1993). In *Standard Havens*, the patentee won liability at trial and the Federal Circuit affirmed the liability holding. The Federal Circuit though remanded for reconsideration of damages and remedies. The trial court refused to stay the damages and remedies portion of the case in view of a pending reexamination proceeding. The Federal Circuit again reversed the denial of the motion to stay and the re-imposition of the injunction because the trial court improperly “concluded that the reexamination decision can have no effect on this infringement suit even if the reexamination decision becomes final.” *Standard Havens*, 996 F.2d at 1236. However, in another case, the Federal Circuit cited the rule in *Forgay* that “[w]hen the decree . . . directs the defendant to pay a certain sum of money to the complainant, and the complainant is entitled to have such decree carried immediately into execution, the decree must be regarded as a final one to that extent.” *King Instrument Corp. v. Otari Corp.*, 814 F.2d 1560, 1562 (Fed. Cir. 1987) (quoting *Forgay v. Conrad*, 47 U.S. 201, 204 (1848)). In so citing, the court concluded, “Despite the fact that the issue of spare parts damages is still pending in the District Court, the Modified Judgment is appealable to this court under the *Forgay* rule.” *Id.* at 1563. See also *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1383 (Fed. Cir. 2013) (Newman, J., dissenting) (“In distinction from the procedure here ratified, where this court holds that neither the PTO nor this court is bound by this court’s prior decision, the principles of judicial finality are respected in every other circuit.”); *id.* at 1375 (O’Malley, J., dissenting) (“[D]amages were not still at issue when the action was remanded to the district court, and were not at issue when the PTO rendered the decision which the panel majority gives such broad-sweeping effect. And, the panel majority’s view of finality is significantly out of step with the law as it stands today.”).

<sup>156</sup> See *Mendenhall*, 26 F.3d at 1578 (“For this court to affirm the findings of infringement and the willfulness of conduct against one appellant, increase damages against the other, and uphold injunctions against both, appears anomalous in the extreme in connection with patents this court has just held invalid.”). The court concluded, “Because the Mendenhall patents are invalid, the plaintiffs cannot now enjoy or recover damages from these defendants.” *Id.* at 1584.

favor.<sup>157</sup> While the defendant's appeal was pending, the Federal Circuit affirmed a reexamination decision that invalidated the asserted patent claims.<sup>158</sup> Subsequently, the court vacated the district court's judgment for infringement liability and remanded for dismissal.<sup>159</sup> So, in conclusion, not even a damages verdict was enough to make a case "final" for the purposes of a final judgment.

c) If not after final judgment, then when *is* a decision final?

If a final judgment on damages is not enough, and usually damages is the last phase of a case, then it is fair to ask when a decision is finally final. Based on appellate precedents, the answer may simply be: "Never." The Supreme Court held that "[r]eversal and remand for further proceedings on the entire case defeats preclusion entirely until a new final judgment is entered by the trial court or the initial judgment is restored by further appellate proceedings."<sup>160</sup> Furthermore, the Court ordered a district court to apply intervening legal developments affecting a patent's validity, even if an appellate court previously upheld the validity of the patent claims.<sup>161</sup> Though nondisclosure of prior art by a patentee may reasonably warrant granting relief from a trial court order to execute final judgment,<sup>162</sup> the Federal Circuit has upheld invalidation of a

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<sup>157</sup> 404 F. Supp. 2d 1250, 1251 (D. Or. 2005).

<sup>158</sup> *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1262 (Fed. Cir. 2007).

<sup>159</sup> *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 F. App'x. 988, 988 (Fed. Cir. 2007). Accordingly, *Translogic Tech* can be summarized as follows: The patentee won at trial that the patent was valid and infringed. The trial court awarded damages and a permanent injunction. During the appeal of the litigation side, the Federal Circuit affirmed the reexamination decision holding the patent claims invalid. The Federal Circuit litigation appeals panel thereafter vacated the trial court's judgment and remanded for dismissal.

<sup>160</sup> *G. & C. Merriam Co. v. Saalfeld*, 241 U.S. 22, 28 (1916).

<sup>161</sup> *See John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 89 (1922) ("As to the claim of patent infringement, the [validity] decree evidenced a quasi definitive decision adverse to plaintiffs, which, if nothing occurred to prevent, would in due course be carried into the final decree. But it did not constitute a separation of the cause, nor dismiss defendant from the jurisdiction for any purpose; necessarily this decision remained in abeyance until the cause should be ripe for final decree; there was nothing to take the case out of the ordinary rule that there can be but one final decree in a suit in equity.").

<sup>162</sup> *See Flexiteek Ams., Inc. v. Plasteak, Inc.*, No. 08-60996-civ-Cohn/Seltzer, 2012 U.S. Dist. LEXIS 156086, at \*9-11 (S.D. Fla. Sept. 10, 2012) ("[I]n this case, Plaintiffs specifically disclaimed knowledge of any prior art, and Defendants only learned of the prior art through the filings of another party in an unrelated suit to which Defendants were not a party. Defendants then acted promptly, informing the Court of their intention

patent based on a reexamination that not only had been litigated and held not invalid eleven years earlier, but was initiated by a litigant.<sup>163</sup> Finally, the *Fresenius* court believed that a judgment final enough from which to appeal was nevertheless “not sufficiently final” to proscribe application of subsequent final judgment in another case.<sup>164</sup>

### 3. How is the Disparity Justifiable Between the Comity of the PTO and the Courts?

The two different entities involved in reexamination and litigation (the PTO and the courts, respectively) do not practice comity. If courts openly consider and even rely on reexamination findings, how is it that final court judgments of patent validity and infringement are not accorded reciprocal respect? Courts have trotted out a variety of justifications for such inequity. The Federal Circuit in *Ethicon* opined that a decision to uphold patent validity only means that the alleged infringer did not sustain its burden of proving invalidity, and therefore yields no issue preclusion.<sup>165</sup> As a parallel argument, the court considered the requirement of a “substantial

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to rely on those documents within five weeks of the documents’ filing. At that point, it was only two and a half months before trial. Because of Plaintiffs’ dissembling, Defendants had limited time to act, but they acted diligently. Accordingly, the Court concurs . . . that Defendants were not sitting on their reexamination rights awaiting trial.”).

<sup>163</sup> See *In re Constr. Equip. Co.*, 665 F.3d 1254, 1257 (Newman, J., dissenting) (“This reexamination appeal raises a fundamental question – 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? Although final decisions of courts of last resort are preclusive within the courts, is the administrative agency excused? Here the Patent & Trademark Office did not mention the prior adjudication of the same issue, although that issue was finally decided in the courts in 2001. The PTO’s reexamination decision is now before us on appeal, the same issue that we finally adjudicated eleven years ago.”)

<sup>164</sup> *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1341 (Fed. Cir. 2013) (“[W]hile the district court in 2007 entered a judgment final for purposes of appeal, and that judgment might have been given preclusive effect in another infringement case between these parties, it was not sufficiently final to preclude application of the intervening final judgment in *In re Baxter*, and in any event, we set the district court judgment’s aside in the first appeal in the infringement case.”).

<sup>165</sup> *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) (“The doctrine of collateral estoppel does not prevent the PTO from completing the reexamination. Courts do not find patents ‘valid,’ only that the patent challenger did not carry the ‘burden of establishing invalidity in the particular case before the court.’”) (citations omitted).

new question of patentability” under 35 U.S.C. § 303(a) to refer to a question that was never analyzed specifically by the PTO, even if previously scrutinized by a federal court.<sup>166</sup> A trial court in California defended the reliance on reexaminations as opposed to validity and infringement judgments by citing the fact that a reexamination accords no presumption of validity to a patent and thus requires a higher evidentiary standard of proof for invalidity than an invalidity defense in infringement litigation, in which patent claims are held presumptively valid.<sup>167</sup>

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<sup>166</sup> *In re Swanson*, 540 F.3d 1368, 1379 (Fed. Cir. 2008) (“The Board did not err in holding that the prior district court litigation did not prevent [a] reference from raising a ‘substantial new question of patentability’ under § 303(a). As 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 exists even if a federal court previously considered the question.”).

<sup>167</sup> *See E.I. du Pont de Nemours & Co. v. Cetus Corp.*, 19 U.S.P.Q.2d 1174, 1179 (N.D. Cal. 1990) (“[T]he PTO’s findings should be given substantial deference . . . [because] whereas in litigation challenging validity the challenged patent enjoys a presumption of validity that the challenger must overcome by clear and convincing evidence, in a reexamination proceeding, the posture is essentially that of an initial PTO examination, and the patent enjoys no presumption of validity. It is therefore highly significant . . . [when] patents [a]re upheld by the PTO against a higher standard than that to be applied by this court. . . . Secondly, this litigation and the PTO reexamination differ in their approach to claim construction in a way which favors the patent owner in this proceeding. Whereas claims in reexamination “will be given their broadest reasonable interpretation,” thus increasing the likelihood of a finding of anticipation and therefore of invalidity, claims in litigation are to be “so construed, if possible, as to sustain their validity.”). The Federal Circuit agreed:

[T]he court’s final judgment and the examiner’s rejection are not duplicative—they are differing proceedings with different evidentiary standards for validity. Accordingly, there is no Article III issue created when a reexamination considers the same issue of validity as a prior district court proceeding. And as interpreting a “substantial new question of patentability” to include questions considered by a federal court but never by the PTO does not raise any constitutional concerns, the canon of statutory construction providing that a statute that is ambiguous should be interpreted to avoid raising “grave and doubtful constitutional questions” is not applicable.

*Swanson*, 540 F.3d at 1379 (citation omitted). The Federal Circuit has also defended any disharmony with USPTO findings, stating:

The awkwardness presumed to result if the PTO and court reached different conclusions is more apparent than real. The two forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions. Furthermore, we see nothing untoward about the PTO upholding the

The Federal Circuit has proffered other arguments, including noting that the “reasonable Congressional purpose of facilitating the correction of governmental mistakes” prevails over mistakenly allowed patent claims and does not offend the Constitution.<sup>168</sup> Courts have also analogized to stayed interference proceedings, which cannot be maintained if claims are cancelled during reexamination,<sup>169</sup> or lawsuits pending while claims are cancelled pursuant to a patent reissue, which similarly must be dismissed.<sup>170</sup>

#### 4. Counterarguments Against Nullifying Court Verdicts Through Reexamination

The above rationales for vacating final judgments of validity and infringement based on subsequent reexamination determinations include plausible—albeit sometimes hair-splitting—reasons for pursuing such judicial action. Policy arguments and potentially alarming consequences, however, weigh strongly against the practice. The Supreme Court proclaimed, though not in a patent case, that “[i]t is not within the power of a legislature to take away rights

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validity of a reexamined patent which the district court later finds invalid. This is essentially what occurs when a court finds a patent invalid after the PTO has granted it. Once again, it is important that the district court and the PTO can consider different evidence. Accordingly, different results between the two forums may be entirely reasonable. And, if the district court determines a patent is not invalid, the PTO should continue its reexamination because, of course, the two forums have different standards for determining invalidity.

*Quigg*, 849 F.2d at 1428–29.

<sup>168</sup> *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985) (“This Congressional purpose is presumptively correct, and we find that it carries no insult to the Seventh Amendment and Article III.”).

<sup>169</sup> *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1340 (Fed. Cir. 1998) (“[T]he reexamination, if carried to completion, is likely to result in the cancellation of all of the claims of the . . . patent. That in turn will require a dismissal of the interfering patents suit . . .”).

<sup>170</sup> *Moffitt v. Garr*, 66 U.S. 273, 283 (1861) (“[S]uits pending, which rest upon an act of Congress, fall with the repeal of it. The reissue of the patent has no connection with or bearing upon antecedent suits. . . . The antecedent suits depend upon the patent existing at the time they were commenced, and unless it exists, and is in force at the time of trial and judgment, the suits fail.”); *Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 976 (Fed. Cir. 1986) (“The patentee has no rights [in a non-identical claim] to enforce before the date of reissue because the original patent was surrendered and is dead.”).

which have been once vested by a judgment.”<sup>171</sup> One hundred years later, the Federal Circuit warned against reopening final court decisions based on administrative action.<sup>172</sup> Such a system of overriding the judiciary interferes with courts’ obligation to “render dispositive judgments.”<sup>173</sup> Admittedly, while the courts have announced and maintained the important policy goal that PTO decisions will not alter “final court judgment[s],” they have not unilaterally defined the term; until the court system arrives at a consensus, such proclamations will remain largely inconsistent and hollow while still providing courts with opportunities to affirm or vacate infringement findings as desired.<sup>174</sup> To that end, Judge O’Malley of the Federal Circuit avoided using the term “final judgment” by simply proclaiming that “nothing in either *Mendenhall* or *Simmons* suggests that an administrative agency’s actions can undermine the *conclusive resolution of rights by the courts*.”<sup>175</sup>

Regardless of the definition of finality with respect to court judgments, the reluctance to affect judgments through administrative action stems at least partially from the concern that an alleged infringer might gain an advantage through the PTO by purposely burdening another party with the expense of invalidity litigation

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<sup>171</sup> *McCullough v. Virginia*, 172 U.S. 102, 123–24 (1898).

<sup>172</sup> *In re Swanson*, 540 F.3d 1368, 1379 n.5 (Fed. Cir. 2008) (“[A]n attempt to reopen a final federal court judgment of infringement on the basis of a reexamination finding of invalidity might raise constitutional problems.”).

<sup>173</sup> *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 218–19 (1995) (“The record of history shows that the Framers crafted this charter of the judicial department with an expressed understanding that it gives the Federal Judiciary the power, not merely to rule on cases, but to *decide* them, subject to review only by superior courts in the Article III hierarchy—with an understanding, in short, that “a judgment conclusively resolves the case” because “a ‘judicial Power’ is one to render dispositive judgments.” By retroactively commanding the federal courts to reopen final judgments, Congress has violated this fundamental principle.” (quoting Frank H. Easterbrook, *Presidential Review*, 40 CASE W. RES. L. REV. 905, 926 (1990))).

<sup>174</sup> *See In re Baxter*, 698 F.3d 1349, 1351 (Fed. Cir. 2012) (“[I]f a federal court awards relief to a patent holder against an infringer, a subsequent reexamination decision that the patent is invalid does not alter [that judgment’s] binding effect on the parties [to the litigation].”); *see also Moffitt*, 66 U.S. at 283 (“It is a mistake to suppose, that . . . moneys recovered on judgments in suits . . . might be recovered back [after a patent is cancelled]. The title to these moneys does not depend upon the patent, but upon . . . the judgment of the court.”).

<sup>175</sup> *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1378 (Fed. Cir. 2013) (O’Malley, J., dissenting) (emphasis added).

and later invoking an administrative invalidity finding to void the patent and a judgment of infringement simultaneously.<sup>176</sup> However, this is not a terribly convincing argument because the alleged infringer is usually the defendant in the suit whom the patentee dragged into court. As such, one who is dragged into court ought to be able to exercise whatever rights he possesses to remove uncertainty. Similarly, if the patentee is very concerned about his patent withstanding a validity challenge, he can choose not to sue, or he may choose to instigate his own reexamination prior to suing.

Though strategic, such litigation tactics imperil the authority of federal court judgments to protect patent rights,<sup>177</sup> in turn diminishing the incentive to innovate and develop new technologies.<sup>178</sup> Finally, Federal Circuit judges have raised compelling constitu-

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<sup>176</sup> *Ultrak Inc. v. Radio Eng'g Indus., Inc.*, 52 U.S.P.Q.2d 1530, 1532 (N.D. Tex. 1999) (“*Troxel* stands for the principle that where a patent licensee does not contest the validity of the patent, and a third-party who is not a party to the license agreement challenges the patent’s validity, the licensee *cannot* avoid royalty payments until such time as the patent is declared invalid. The same should hold true in the absence of a licensing agreement where a judgment of infringement is entered. In other words, an alleged infringer cannot sit back and avoid invalidity litigation costs, but then reap the benefits of another party’s diligence by retroactively applying the invalidity finding to void the patent *ab initio* and *void a judgment* of infringement. As a result of [the accused infringer’s] proposal, an alleged infringer “would be more likely to wait for somebody else to battle the issue because he would have nothing to lose by the delay.” If courts were to follow [the accused infringer’s] suggestion, the result would be very harmful to the national patent scheme. In conclusion, “absent fraud or misconduct . . . a patentee should not be held responsible for the issuance of an invalid patent.” (quoting *Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1253, 1259 (6th Cir. 1972))).

<sup>177</sup> *See Fresenius*, 733 F.3d at 1381 (O’Malley, J., dissenting) (“Courts will be tempted to try to limit the time and resources spent on patent cases by seeking an interlocutory review of their claim construction and liability determinations. In all but those cases where liability determinations in favor of an alleged infringer are affirmed, however, such bifurcations will drag out the litigation, causing multiple appeals and probably multiple remands. Where that occurs, after the panel opinion in this case, even years of litigated decisions, which may be affirmed piecemeal, could be rendered meaningless by much later PTO decisions. And, when trial courts come to understand the fragility of their judgments, stays in the face of reexaminations—which the PTO grants over 92% of the time—will become inevitable.”).

<sup>178</sup> *See id.* at 1382 (Newman, J., dissenting) (“The system of patents is founded on providing an incentive for the creation, development, and commercialization of new technology. . . . The court has weakened that incentive, by reducing the reliability of the patent grant, even when the patent has been sustained in litigation. This loss cannot be underestimated, especially for technologies that incur heavy development costs yet are readily copied.”).

tional arguments that vacating federal court judgments based on reexamination decisions threatens the division of powers.<sup>179</sup>

### 5. Stays: Only A Partially Effective Remedy

Sometimes, once parallel reexamination is initiated, a district court may choose to stay the patent litigation pending the reexamination outcome.<sup>180</sup> Though they do not resolve the existing dissonance over the definition of judicial finality, nor the problems inherent in reexaminations initiated after findings of validity and infringement, stays remain helpful tools to avoid abuse with respect to reexaminations pursued concurrently with litigation,<sup>181</sup> and to that end are advantageous in myriad ways.<sup>182</sup> Factors proffered to

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<sup>179</sup> See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1364–65 (Newman, J., dissenting) (“The court’s ruling that PTO reexamination overrides the prior adjudication of patent validity is contrary to the legislative purposes of reexamination, offensive to principles of litigation finality and repose, and violative of the Constitution. The judicial decision of patent validity is not available for review, revision, or annulment by the PTO. When the issue of patent validity has been litigated and finally decided in the courts, this binds not only other courts, the parties, and the public; it binds the other branches of government.”).

<sup>180</sup> See, e.g., *ASCII Corp. v. STD Entm’t USA, Inc.*, 844 F. Supp. 1378 (N.D. Cal. 1994).

<sup>181</sup> See *id.* at 1381 (“[T]here is a liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO reexamination or reissue proceedings.”); *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1342 (Fed. Cir. 1998) (In a stayed infringement proceeding, “if the [patentee’s] claims were canceled in the reexamination, [it] would eliminate the need to try the infringement issue.”). By not granting a stay of infringement proceedings, a court

runs the risk of inconsistent adjudications or issuance of advisory opinions. . . . Since the court must decide the summary judgment motions well in advance of trial, it would have to address the arguments raised before the PTO. Such a situation raises resource questions. . . . Since the PTO cannot stay the reexamination once a request has been granted, the court’s issuance of a stay is the only way to avoid the potential for conflict.

*Gioello Enters. v. Mattel, Inc.*, No. 99-375 GMS, 2001 U.S. Dist. LEXIS 26158, at \*3–5 (D. Del. Jan. 29, 2001).

<sup>182</sup> *Gioello*, 2001 U.S. Dist. LEXIS 26158 at \*2–3 (“Numerous courts have cited a number of advantages of granting a stay pending PTO reexamination: (1) all prior art presented to the court at trial will have been first considered by the PTO with its particular expertise, (2) many discovery problems relating to the prior art can be alleviated, (3) if patent is declared invalid, the suit will likely be dismissed, (4) the outcome of the reexamination may encourage a settlement without further involvement of the court, (5) the record of the reexamination would probably be entered at trial, reducing



assist a court in determining whether to stay infringement litigation include: “(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.”<sup>183</sup> Though grants and denials of stays have largely paralleled judicial concerns reflected in the factors about efficiency and prejudice,<sup>184</sup> stays have often been granted at the conclusion of discovery.<sup>185</sup> Additionally, stays have been granted to alleged infringers much more frequently than to patent owners, who would logically derive the greater benefit by avoiding expensive concurrent litiga-

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the complexity and the length of the litigation, (6) issues, defenses, and evidence will be more easily limited in pre-trial conferences and (7) the cost will likely be reduced both for the parties and the court.”).

<sup>183</sup> Xerox Corp. v. 3 Com Corp., 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999). *See also* Docusign Inc. v. RPost Commc’ns Ltd., No. C13-735-MJP, 2014 WL 2178234, at \*1 (W.D. Wash. May 23, 2014) (granting stay of litigation pending reexamination); Bos. Heart Diagnostics Corp. v. Health Diagnostics Lab., Inc., No. 13-13111-FDS, 2014 WL 2048436, at \*1 (D. Mass. May 16, 2014) (granting stay) (“There is a “liberal policy in favor of granting motions to stay proceedings pending the outcome of reexamination, especially in cases that are still in the initial stages of litigation and where there has been little or no discovery.”). *But see* Carrier Corp. v. Goodman Global, Inc., No. 12-930-SLR, 2014 WL 2042470 (D. Del. May 8, 2014) (denying stay of litigation pending reexamination).

<sup>184</sup> *See, e.g.*, Freeman v. Minn. Mining & Mfg. Co., 661 F. Supp. 886, 888 (D. Del. 1987) (holding that stay was inappropriate where discovery was concluded and a grant of stay would allow the alleged infringer to use reexamination purely as a dilatory tactic); Digital Magnetic Sys. v. Ansley, 213 U.S.P.Q. 290, 290 (W.D. Okla. 1982) (denying motion for stay where reexamination proceeding was initiated after close of discovery and PTO had not yet ruled on reexamination request); Enprotech Corp. v. Autotech Corp., 15 U.S.P.Q.2d 1319, 1320 (denying patentee’s motion for stay where discovery was almost complete and reexamination would not resolve issues of patentee’s alleged inequitable conduct); Gladish v. Tyco Toys, Inc., 29 U.S.P.Q.2d 1718, 1720 (denying patentee’s motion for stay where stay would prejudice defendant in its ability to continue discovery on prior use issue); Target Therapeutics Inc. v. SciMed Life Sys. Inc., 33 U.S.P.Q.2d 2022, 2024 (N.D. Cal. 1995) (granting stay where litigation was at early stages).

<sup>185</sup> *See, e.g.*, Bausch & Lomb Inc. v. Alcon Labs., Inc., 914 F. Supp. 951, 953 (granting stay even though reexamination request had been filed by non-party to litigation at a point when discovery had substantially progressed). Stays have been granted even when the movant is a party and considerable litigation discovery has been completed. Grayling Indus. v. GPAC Inc., 19 U.S.P.Q.2d 1872, 1874 (N.D. Ga. 1991); Emhart Indus. Inc. v. Sankyo Seiki Mfg. Co., Ltd., 3 U.S.P.Q.2d 1889, 1892 (N.D. Ill. 1987).

tion expenses.<sup>186</sup> Only through greater uniformity in courts' ruling on stays will their effectiveness and reliability increase.

### C. Federal Rules of Civil Procedure 59 and 60

If the various aforementioned justifications to permit vacating judgments do not persuade critics of the practice, then does such authority exist elsewhere in the law, albeit in a less explored area? Three distinct options drawn from within Federal Rules of Civil Procedure 59 and 60 may prove dispositive.<sup>187</sup> But as shall be seen, none indisputably allow the defendant to vacate the judgment.

#### 1. Newly Discovered Evidence Under Rule 59(a)

Rule 59(a) provides the authority for a federal court to set aside a verdict and order a new trial,<sup>188</sup> but only “when the verdict is against the clear weight of the evidence, or is based upon evidence which is false, or will result in a clear miscarriage of justice.”<sup>189</sup> The moving party must be “unfairly made the victim of surprise . . . inconsistent with substantial justice.”<sup>190</sup> Though the Rule does not specify the standards for granting a new trial based on new evidence, courts have set forth elements or factors to determine when to grant a motion.<sup>191</sup> The circumstances that have necessi-

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<sup>186</sup> Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1, 80 n.350 (1997) (“Stays are generally granted when sought by alleged infringers at a reasonably early stage in the litigation, whereas stays are generally denied when sought by patent owner plaintiffs, irrespective of the stage of the litigation.”).

<sup>187</sup> FED. R. CIV. P. 59, 60.

<sup>188</sup> FED. R. CIV. P. 59(a) (“The court may, on motion, grant a new trial on all or some of the issues—and as to any party—as follows: (A) after a jury trial, for any reason for which a new trial has heretofore been granted in an action at law in federal court; or (B) after a nonjury trial, for any reason for which a rehearing has heretofore been granted in a suit in equity in federal court.”).

<sup>189</sup> *Ahern v. Scholz*, 85 F.3d 774, 780 (1st Cir. 1996) (quoting *Torres-Troche v. Municipality of Yauco*, 873 F.2d 499 (1st Cir.1989)).

<sup>190</sup> *Perez-Perez v. Popular Leasing Rental, Inc.*, 993 F.2d 281, 287 (1st Cir. 1993).

<sup>191</sup> *Buell v. Sec. Gen. Life Ins. Co.*, 784 F. Supp. 1533, 1536 (D. Colo. 1992), *aff'd*, 987 F.2d 1467 (10th Cir. 1993) (“[A] court should consider, among other things, the reasons for the moving party’s default, the importance of the omitted evidence to the moving party’s case, whether the evidence was available to the non-movant before responding to the summary judgment motion, and the likelihood that the nonmoving party will suffer unfair prejudice if the case is reopened.”). A party seeking to supplement its motion with new evidence must show either that: “(a) the evidence is newly discovered, or (2) if the

tated new trials based on newly discovered evidence are limited;<sup>192</sup> they encompass evidence not available at the time of ruling on an issue,<sup>193</sup> evidence on an issue the parties did not previously anticipate being relevant to disposition,<sup>194</sup> or evidence apparently intentionally withheld until, and only discovered after, a motion or response was filed.<sup>195</sup>

None of these situations parallels those in which an alleged infringer seizes the opportunity to use evidence to invalidate patent

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evidence was available . . . [previously], that counsel made a diligent though unsuccessful attempt to discover the evidence.” *In re Sun Healthcare Grp., Inc.*, 214 F.R.D. 671, 673 (D.N.M. 2003) (alteration in original). The Federal Circuit has explained,

Rule 59(a) does not explicitly discuss the standards for granting or denying a motion for a new trial based on newly discovered evidence. Instead, it permits the grant of a new trial “for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States.” We have applied specific rules governing when a court may grant a motion for a new trial based on newly discovered evidence.

*Colon-Millin v. Sears Roebuck De P.R., Inc.*, 455 F.3d 30, 36 n.4 (1st Cir. 2006) (citation omitted). The court cited the First Circuit’s *Acosta-Mestre* holding for the requisite rule elements, in which it stated,

To warrant granting a new trial based on newly discovered evidence, the movant must demonstrate that (1) the evidence has been discovered since trial; (2) the evidence could not by due diligence have been discovered earlier; (3) the evidence is not merely cumulative or impeaching; and (4) the evidence is of such a nature that it would probably change the result if a new trial is granted.

*Acosta-Mestre v. Hilton Int’l of P.R., Inc.*, 156 F.3d 49, 56 (1st Cir. 1998).

<sup>192</sup> See *Goland v. Cent. Intelligence Agency*, 607 F.2d 339, 370 (D.C. Cir. 1978) (“The occasions when newly discovered evidence or changed circumstances will warrant setting aside a final judgment are limited procedurally as well as substantively.”).

<sup>193</sup> See e.g., *Bell v. Bd. of Cnty. Comm’rs of Jefferson Cnty.*, 451 F.3d 1097, 1102 (10th Cir. 2006) (finding that evidence of settlement agreement between former county employee and county qualified as newly discovered evidence for the purpose of the terminated employee’s renewed application for attorney fees to alter or amend the prior judgment, because the settlement was evidence not available at the time of the initial ruling on attorney fees).

<sup>194</sup> See e.g., *Matter of Prince*, 85 F.3d 314, 324 (7th Cir. 1996) (holding that records were newly discovered evidence where parties did not, prior to the hearing, foresee that the issue would be relevant and were not given an opportunity to collect evidence).

<sup>195</sup> E.g., *McClendon v. B & H Servs., Inc.*, 910 F. Supp. 364, 366 (E.D. Tenn. 1995) (concluding that a job order was newly discovered evidence, as would support a motion to alter or amend the judgment in employee’s Fair Labor Standards Act claim against employer, where the job order was received after the employee filed his response to the employer’s summary judgment motion).

claims during a reexamination decision following a judgment of validity and infringement. Evidence that is not newly discovered cannot support a motion under Rule 59(a).<sup>196</sup> Courts invariably deny motions when the evidence proffered with the motion adds no new proof<sup>197</sup> or was readily available to the movant before the decision in the judicial proceedings.<sup>198</sup>

One could quibble over just what the term “new evidence” might mean in the reexamination context. If the reexamination knocked out the patent on evidence (such as prior art) that was not part of the prior litigation, then perhaps a court might be persuaded that the entire reexamination proceeding and facts adjudicated therein qualify as new evidence for the purposes of Rule 59(a). Perhaps the prior art in the reexamination is not new per se, but still results in the cancelation of the relevant claims. The defendant may argue that, although the prior art itself is not new, the fact that the claims are now canceled is new evidence for the purposes of Rule 59(a). A later reexamination determination of claim cancelation is certainly “new” in view of the earlier court judgment and by definition could not have been raised earlier.

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<sup>196</sup> Pavlik v. Lane Ltd./Tobacco Exporters Int'l, 135 F.3d 876, 882 n.2 (3d Cir. 1998) (“[W]hen evidence is not newly discovered, a party may not submit that evidence in support of a motion to reconsider . . .”).

<sup>197</sup> See, e.g., Williams v. Hobbs, 658 F.3d 842, 853 (8th Cir. 2011) (holding that the inmates' new evidence did not warrant a vacatur of judgment dismissing their action because such new evidence did not add anything concrete to the evidence provided in the inmates' complaint); Odhiambo v. Republic of Kenya, 947 F. Supp. 2d 30, 35 (D.D.C. 2013) (finding that the evidence proffered by a Kenyan refugee on a motion to alter or amend judgment did not constitute new evidence because the motion raised no facts previously unknown to him and mostly repeated information in the first amended complaint).

<sup>198</sup> See, e.g., Montgomery v. Bagley, 581 F.3d 440, 452 (6th Cir. 2009), *reh'g en banc granted, vacated* (Jan. 21, 2010) (concluding that affidavits did not qualify as newly discovered evidence nor support the state's motion to alter or amend the judgment granting the habeas petition, because the affiants still lived in the area, the information in the police report could have been used to locate the affiant, the police made no effort to determine the veracity of the report despite notice, and the affidavits were readily discoverable at the time of the initial trial, at the time the habeas petition was filed, and long before the writ was issued); ICEE Distribs., Inc. v. J&J Snack Foods Corp., 445 F.3d 841, 848 (5th Cir. 2006) (refusing to reconsider summary judgment despite new evidence calling into doubt the validity of the defendant's license because the evidence in question had been available or easily discoverable before summary judgment).

## 2. Void Judgment

Rule 60(b)(4) provides for grounds for relief from a void judgment,<sup>199</sup> based on the basic Supreme Court tenet that “[f]ederal courts are courts of limited jurisdiction.”<sup>200</sup> Parties may bring Rule 60(b) motions even after final judgment has been entered,<sup>201</sup> and deciding such a motion on a judgment entered absent proper subject matter jurisdiction can be challenging,<sup>202</sup> because it raises opposing policy concerns.<sup>203</sup> Similarly, a court must rule that a judgment entered absent proper personal jurisdiction is void.<sup>204</sup> Invariably, the judgment must suffer a “fundamental infirmity,”<sup>205</sup> a requirement that is substantiated when a court was “powerless to enter it.”<sup>206</sup> Thus, Rule 60(b)(4) provides a very narrow remedy.<sup>207</sup>

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<sup>199</sup> FED. R. CIV. P. 60(b)(4). (“On motion and just terms, the court may relieve a party or its legal representative from a final judgment, order, or proceeding for the following reasons: . . . (4) the judgment is void.”). Because “a void judgment is a legal nullity, it may be challenged not only directly but also by collateral attack in a proceeding in any court where that judgment’s validity comes in issue.” *Graciette v. Star Guidance, Inc.*, 66 F.R.D. 424, 426 (S.D.N.Y. 1975).

<sup>200</sup> *See Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994).

<sup>201</sup> *Fafel v. Dipaola*, 399 F.3d 403, 414 (1st Cir. 2005) (“If an offer of judgment is accepted and judgment entered, a court may still be called upon . . . to decide a motion brought under Fed. R. Civ. P. 60(b) to vacate the . . . judgment.”).

<sup>202</sup> *See id.* at 410 (“[D]etermining when a judgment rendered in the absence of subject-matter jurisdiction is ‘void’ for purposes of collateral attack is an issue of some complexity.”).

<sup>203</sup> *See Kan. City S. Ry. Co. v. Great Lakes Carbon Corp.*, 624 F.2d 822, 826 (8th Cir. 1980) (“Competing policies are at stake in setting aside a federal court judgment as void for lack of subject matter jurisdiction: observation of limits on federal jurisdiction and need for judgments that are final.”).

<sup>204</sup> *See Nature’s First Inc. v. Nature’s First Law, Inc.*, 436 F. Supp. 2d 368, 372 (D. Conn. 2006) (“A default judgment entered against a party not subject to the district court’s personal jurisdiction is a nullity, or is ‘void.’ . . . Accordingly, a default judgment obtained by way of defective service is void for lack of personal jurisdiction and must be set aside as a matter of law.”). Motions under this subsection of the Rule “leave no margin for consideration of the district court’s discretion as the judgments themselves are by definition either legal nullities or not.” *Baragona v. Kuwait & Gulf Link Transport Co.*, 691 F. Supp. 1351, 1357 (N.D. Ga. 2009). However, “a court has discretion . . . to decline to vacate a merely voidable judgment.” *Sagers v. Yellow Freight Sys., Inc.*, 68 F.R.D. 686, 689 (N.D. Ga. 1975).

<sup>205</sup> *United Student Aid Funds, Inc. v. Espinosa*, 559 U.S. 260, 270 (2010) (“[T]he infirmity may be raised even after the judgment becomes final.”).

<sup>206</sup> *Karsner v. Lothian*, 532 F.3d 876, 886 (D.C. Cir. 2008) (quoting *Combs v. Nick Garin Trucking*, 825 F.2d 437, 442 (D.C. Cir. 1987)). A court is powerless “[i]f the underlying judgment is void because the court lacked personal or subject matter

Because the federal courts have original jurisdiction over patent infringement lawsuits,<sup>208</sup> and provided that the court has proper personal jurisdiction and venue, a final judgment of validity and infringement is not void simply because it is adverse to a defendant's interests. Rule 60(b)(4) does not provide an appropriate basis to vacate a final patent validity judgment based on a subsequent decision.<sup>209</sup>

But again the argument could be made that, if indeed a patent canceled through reexamination means that the patent was void ab initio, then perhaps it qualifies to void the judgment through Rule 60(b)(4). It stands to reason that, if the judgment is not void, then the judgment has enforcement and that the enforcement includes the right to exclude others from infringing the patent.<sup>210</sup> But the effect of the canceled patent is that the patent no longer confers any enforceable rights. There is no right to exclude anymore. As such, the effect of the canceled patent might be that the court lacked initial subject matter jurisdiction, which is an express ground under Rule 60(b) to void the judgment.<sup>211</sup> It does not seem fair that if the defendant shows that the patent is void ab initio, that judgments built upon that non-existent patent are not equally void.

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jurisdiction or because the entry of the order violated the due process rights of the respondent." *Textile Banking Co., Inc. v. Rentschler*, 657 F.2d 844, 850 (7th Cir. 1981). Only rarely, when there is "clear usurpation of power will a judgment be rendered void." *Lubben v. Selective Serv. Sys. Local Bd. No. 27*, 453 F.2d 645, 649 (1st Cir. 1972).

<sup>207</sup> *V. T. A., Inc. v. Airco, Inc.*, 597 F.2d 220, 225 (10th Cir. 1979) ("In the interest of finality, the concept of setting aside a judgment on voidness grounds is narrowly constricted."). Courts "narrowly construe the concept of a 'void' order under Rule 60(b)(4) precisely because of the threat to finality of judgments and the risk that litigants . . . will use Rule 60(b)(4) to circumvent an appeal process they elected not to follow." *Wendt v. Leonard*, 431 F.3d 410, 412 (4th Cir. 2005). A motion that "the judgment is void is not a substitute for a timely appeal." *Espinosa*, 559 U.S. at 270-71. Additionally, "[a] judgment is not void . . . simply because it is or may have been erroneous." *Id.* at 270 (quoting *Hoult v. Hoult*, 57 F.3d 1, 6 (1st Cir. 1995)). "Only when the jurisdictional error is 'egregious' will courts treat the judgment as void." *United States v. Tittjung*, 235 F.3d 330, 335 (7th Cir. 2000).

<sup>208</sup> See 28 U.S.C. § 1338 (2012).

<sup>209</sup> See *V. T. A.*, 597 F.2d at 225 (denying petitioners' 60(b)(4) motion and finding that the court had jurisdiction over the parties and over the subject matter in the decree proceeding).

<sup>210</sup> 35 U.S.C. § 283 (regarding injunction); see also *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (regarding factors to consider in injunctions).

<sup>211</sup> See *V. T. A.*, 597 F.2d at 224.

### 3. The Catchall Provision: Any Other Grounds Justifying Relief

Rule 60(b)(6) provides relief that may only be granted for “exceptional or extraordinary circumstances.”<sup>212</sup> The change in circumstances warranting relief “must have been unforeseen.”<sup>213</sup> The Rule vests courts with “equitable power to do justice” but not “standardless residual discretionary power to set aside judgments.”<sup>214</sup> In fact, the Federal Circuit has denied a Rule 60(b)(6) motion where a defendant was “aware of the prior art upon which its reexamination petition was based well before trial, [but] failed to file the reexamination petition until after the unfavorable judgment was entered.”<sup>215</sup> A favorable subsequent reexamination decision may not constitute “any other reason that justifies relief.”<sup>216</sup> Or does it?

As we suggested earlier, a canceled patent is considered void ab initio. It never existed. Anyone affected by the patent is now out from under the patent. Previously enjoined defendants are no longer harmed by the patent.<sup>217</sup>

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<sup>212</sup> *Louisville Bedding Co. v. Pillowtex Corp.*, 455 F.3d 1377, 1380 (Fed. Cir. 2006).

<sup>213</sup> *McCray v. Dawson*, 953 F. Supp. 1476, 1479 (“[A]lthough the change in circumstances need not have been unforeseeable.”).

<sup>214</sup> *Martinez-McBean v. Gov’t of V.I.*, 562 F.2d 908, 911 (3d Cir. 1977) (“[I]t is improper to grant relief under Rule 60(b)(6) if the aggrieved party could have reasonably sought the same relief by means of appeal.”). Furthermore, “[i]f a party makes a conscious and informed choice of litigation strategy, he cannot seek extraordinary relief merely because his assessment of the consequences was incorrect.” *In re Master Key Antitrust Litig.*, 76 F.R.D. 460, 464 (D. Conn. 1977), *aff’d*, 580 F.2d 1045 (2d Cir. 1978).

<sup>215</sup> *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1363 (Fed. Cir. 2008).

<sup>216</sup> FED. R. CIV. P. 60(b)(6).

<sup>217</sup> While an aggressive defendant may view the final cancelation of a patent to automatically lift any injunction, that defendant may not consider the renewed conduct to constitute infringement or contempt of an injunction. A more conservative defendant may choose to petition a court to formally remove the injunction so that there is no issue of contempt of court process. We do not opine on which is the right course of action. Though in the pharmaceutical drug context, a prior losing defendant (usually a generic drug company) might need to petition the court to lift the injunction against itself and the injunction that is lodged against the FDA from approving the generic drug dossier. *See* 35 U.S.C. § 271(e)(4)(A). *See also* UPADHYE, *supra* note 65, §§ 16:3, 16:4.

#### D. Collateral Attack

If the Federal Rules of Civil Procedure arguably do not provide the authoritative basis for subsequently vacating a final judgment of validity and infringement, perhaps the collateral attack doctrine offers a defendant such an opportunity. Given that reexaminations and infringement litigation can proceed concurrently, collateral attack would seem the rational choice for a defendant, as it is “an action with an independent purpose and contemplative of another form of relief that depends on the overruling of a prior judgment.”<sup>218</sup> However, policy concerns generally foreclose the opportunity for collateral attack of even unjust decisions.<sup>219</sup> Even if afforded the opportunity for collateral attack, “the court will presume that all proceedings in the original action necessary to sustain the validity of the judgment, were regular.”<sup>220</sup> The party collaterally attacking the judgment must rebut the presumption of validity.<sup>221</sup> Courts have explicitly indicated that appellate review constitutes the appropriate method of challenging civil judgments.<sup>222</sup>

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<sup>218</sup> *Popp Telcom v. Am. Sharecom, Inc.*, 210 F.3d 928, 941 (8th Cir. 2000).

<sup>219</sup> *Fuller v. Vanwagoner*, 49 F. Supp. 281, 283 (E.D. Mich. 1942) (“[A] decree or judgment of a court of competent jurisdiction cannot be collaterally attacked even where the records show that the decree was an unjust one.”); *see also Bell v. Eastman Kodak Co.*, 214 F.3d 798, 800–01 (7th Cir. 2000) (“[C]ollateral attack, especially in civil cases, is disfavored because of the social interest in expedition and finality in litigation.”).

<sup>220</sup> *Pen-Ken Gas & Oil Corp. v. Warfield Natural Gas Co.*, 137 F.2d 871, 879 (6th Cir. 1943); *see also Coleman v. Court of Appeals*, 550 F. Supp. 681, 684 (W.D. Okla. 1980) (“[T]here is a presumption in favor of the validity of the judgment and the existence of all necessary jurisdictional facts.”).

<sup>221</sup> *See United States v. City of McAlester, Okla.*, 410 F. Supp. 848, 853 (E.D. Okla. 1976) (“[T]he burden is upon the party collaterally attacking a judgment to overcome the presumptions and establish the invalidity of a judgment by competent and convincing proof.”); *see also Kenner v. Comm’r of Internal Revenue*, 387 F.2d 689, 691 (7th Cir. 1968) (“[T]here is a heavy burden both of particularized pleading and of proof upon the one who seeks to impeach an order or decree of a court. There must be an offer to prove specific facts which will pretty plainly impugn the official record.”).

<sup>222</sup> *See Clark v. Lender Processing Servs., Inc.*, 949 F. Supp. 2d 763, 772 (N.D. Ohio 2013) (“There is a firm and long-standing principle that final judgments are meant to be just that—final. Subject to only rare exceptions, direct attacks, i.e., appeals, by parties to the litigation, are the primary way that a civil judgment is challenged.”).



### E. Ending Litigation

Federal courts rely on the principles of res judicata and collateral estoppel to finally terminate litigation.<sup>223</sup> However, analysis of the requirements to bar subsequent litigation under these doctrines might reveal an exception through which one may legitimately vacate a patent validity judgment through reexamination.

#### 1. Res Judicata

Res judicata stems from the ideology that “[a] party who once has had a chance to litigate a claim before an appropriate tribunal usually ought not to have another chance to do so.”<sup>224</sup> The doctrine may be pleaded as “a bar, not only as respects matters actually presented to sustain or defeat the right asserted in the earlier proceeding, ‘but also as respects any other available matter which might have been presented to that end.’”<sup>225</sup> Different circuits have delineated comparable elements required to bar subsequent litigation under res judicata, but the bar generally proscribes the same parties from arguing the same claim already finally decided.<sup>226</sup> Concurrent litigation of the same claims in different jurisdictions is not precluded,<sup>227</sup> and equity provides for a variety of direct excep-

<sup>223</sup> See *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946) (“[T]here must be some end to litigation and . . . when one appears in court to present his case, is fully heard, and the contested issue is decided against him, he may not later renew the litigation in another court.”).

<sup>224</sup> *SBC Commc’ns Inc. v. F.C.C.*, 407 F.3d 1223, 1229 (D.C. Cir. 2005); see also *C.I.R. v. Sunnen*, 333 U.S. 591, 597 (1948) (“The general rule of res judicata applies to repetitious suits involving the same cause of action. It rests upon considerations of economy of judicial time and public policy favoring the establishment of certainty in legal relations.”); *Carson v. Dep’t of Energy*, 398 F.3d 1369, 1375 (Fed. Cir. 2005) (“The doctrine ‘serves to relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication.’”).

<sup>225</sup> *Chicot Cnty. Drainage Dist. v. Baxter State Bank*, 308 U.S. 371, 378 (1940) (quoting *Grubb v. Public Utils. Comm’n of Ohio*, 281 U.S. 470, 480 (1930)).

<sup>226</sup> See *EDP Med. Computer Sys., Inc. v. United States*, 480 F.3d 621, 624 (2d Cir. 2007) (“The doctrine bars later litigation if [an] earlier decision was (1) a final judgment on the merits, (2) by a court of competent jurisdiction, (3) in a case involving the same parties or their privies, and (4) involving the same cause of action.”).

<sup>227</sup> *Carr v. Tillery*, 591 F.3d 909, 916 (7th Cir. 2010) (“[P]arallel proceedings . . . pending in different jurisdictions . . . can proceed, but the judgment in the first case in which a final judgment on the merits is entered will be res judicata in the other suit if the other requirements for res judicata . . . are satisfied.”).

tions.<sup>228</sup> However, these exceptions do not necessarily encompass cases remanded for certain issues.<sup>229</sup> Res judicata would therefore preclude a defendant who unsuccessfully counterclaimed invalidity in infringement litigation from subsequently asserting a reexamination finding of invalidity to vacate judgment.

## 2. Collateral Estoppel

A prior judgment typically precludes any relitigating of an issue of fact or law previously resolved by a valid court and necessary to the prior judgment.<sup>230</sup> Implementation of the doctrine intends to promote efficiency and avoid inconsistent decisions.<sup>231</sup> Interesting-

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<sup>228</sup> See *Hayes v. City of Chi.*, 670 F.3d 810, 815 (7th Cir. 2012). The six scenarios under which it would be inequitable to apply res judicata are:

- (1) the parties have agreed in terms or in effect that plaintiff may split his claim or the defendant has acquiesced therein;
- (2) the court in the first action expressly reserved the plaintiff's right to maintain the second action;
- (3) the plaintiff was unable to obtain relief on his claim because of a restriction on the subject-matter jurisdiction of the court in the first action;
- (4) the judgment in the first action was plainly inconsistent with the equitable implementation of a statutory scheme;
- (5) the case involves a continuing or recurrent wrong; or
- (6) it is clearly and convincingly shown that the policies favoring preclusion of a second action are overcome for an extraordinary reason.

*Id.* Additionally, “[t]here is no general public policy exception to the operation of *res judicata*.” *Apotex, Inc. v. Food & Drug Admin.*, 393 F.3d 210, 219 (D.C. Cir. 2004).

<sup>229</sup> See *Bullen v. De Bretteville*, 239 F.2d 824, 829 (9th Cir. 1956) (“The fact that several questions were deferred for later decision does not render the doctrine of res judicata inapplicable. A case remanded for further hearing or over which jurisdiction is retained for some purposes may nonetheless be final as to other issues determined.”).

<sup>230</sup> See *New Hampshire v. Maine*, 532 U.S. 742, 748–49 (2001) (“Issue preclusion generally refers to the effect of a prior judgment in foreclosing successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination essential to the prior judgment, whether or not the issue arises on the same or a different claim.”); see also *In re King*, 500 B.R. 511, 514 (Bankr. E.D. Mich. 2013) (“Generally, the proponent of . . . collateral estoppel must show that (1) a question of fact essential to the judgment was actually litigated and determined by a valid and final judgment, (2) the same parties had a full and fair opportunity to litigate the issue, and (3) there was mutuality of estoppel.”).

<sup>231</sup> See *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 326 (1979) (“Collateral estoppel . . . has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation.”) see also *Action Ink, Inc. v. Anheuser-Busch, Inc.*, 959 F. Supp. 2d 934, 943 (E.D. La. 2013) (“[O]ne of the purposes of the doctrine is to avoid inconsistent decisions—a purpose that could not very well be achieved if the second court were entitled to reexamine the conclusions of the first to determine their correctness.”).

ly, collateral estoppel can be preclusive to fully litigated issues even prior to final judgment in an action, offering another perspective on the definition of judicial finality that we have previously contemplated.<sup>232</sup> Conclusively litigating patent claim validity and infringement thus precludes revisiting them under collateral estoppel even if no final judgment has been entered, suggesting that a defendant's only recourse is appeal, not assertion of a reexamination decision.

#### IV. A CONSTITUTIONAL PROBLEM IN THE MAKING? A FIFTH AMENDMENT DUE PROCESS ISSUE

We see a problem afoot in the reexamination context. If the posture of the case is akin to *Fresenius*, where liability was conclusively established in court, but the remedies portion was still in suit, the case is still not final. Yet, a parallel reexamination that wipes out the patent may implicate a Fifth Amendment due process issue. That is, if the patentee has conclusively earned the liability ruling, it has in effect earned the final judgment as to that liability. If the PTO invalidates the patent claim and the trial court seeks to dismiss the case, is that not in effect taking a property right (the final liability judgment) from the patentee without any recourse? Said another way, does a patentee have a vested right in the final liability judgment, irrespective of whatever other parts of the case are still pending?<sup>233</sup>

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<sup>232</sup> See *Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209–210 (3d Cir. 2001) (“[F]inality for purposes of issue preclusion is a more ‘pliant’ concept than it would be in other contexts.”); *Mikels v. City of Durham*, 183 F.3d 323 (4th Cir. 1999); *Swentek v. USAIR, Inc.*, 830 F.2d 552, 561 (4th Cir. 1987), *abrogated on other grounds* (“Finality for purposes of collateral estoppel is a flexible concept.”); *Miller Brewing Co. v. Joseph Schlitz Brewing Co.*, 605 F.2d 990, 996 (7th Cir. 1979) (“To be ‘final’ for purposes of collateral estoppel the decision need only be immune, as a practical matter, to reversal or amendment. ‘Finality’ in the sense of 28 U.S.C. § 1291 is not required.”); *Zdanok v. Glidden Co., Durkee Famous Foods Div.*, 327 F.2d 944, 955 (2d Cir. 1964) (“[C]ollateral estoppel does not require a judgment which ends the litigation and leaves nothing for the court to do but execute the judgment, but includes many dispositions which, though not final in that sense, have nevertheless been fully litigated.”).

<sup>233</sup> See, e.g., *Chi. & S. Air Lines, Inc. v. Waterman Steamship Corp.*, 333 U.S. 103, 113 (1948) (“[j]udgments within the powers vested in [Article III] courts . . . may not be unlawfully revised, overturned or refused faith and credit by another Department of Government”); *Hodges v. Snyder*, 261 U.S. 600, 603 (1923) (“the private rights of

A nuanced approach to this argument may flow from the vested right to the liability judgment. If the patentee has earned a vested property right in the liability judgment, then it stands to reason that he has also earned the consequences or rewards to that judgment. In other words, the current reexamination regime wipes out the damages because the patent cancelation occurs during the case itself (i.e., because there is no final judgment). On the other hand, under this nuanced approach, the patentee is not arguing that his entitlement to damages flows from the fact that finality has been achieved, but rather flows from his entitlement to the rewards of owning a property right in the liability judgment.

The danger of basing the damages on the property right in the judgment is that the Supreme Court has also stated that property rights may be expropriated (i.e., “taken”) for public purposes.<sup>234</sup> In *Kelo v. City of New London*, the Court permitted the taking of private property for a public purpose (as opposed to a public use), and accordingly, a court could still wipe out the judgment under some public purpose; the public purpose of removing liability for infringing a patent was found to be invalid.<sup>235</sup>

#### V. THE OBVIOUS REMEDY — CONGRESSIONAL ACTION TO LIMIT THE EFFECT OF REEXAMINATION

As described herein, there is no constitutional problem with the PTO canceling a claim during a reexamination and having the pa-

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parties which have been vested by the judgment of a court cannot be taken away by subsequent legislation, but must be thereafter enforced by the court regardless of such legislation”); *Stephens v. Cherokee Nation*, 174 U.S. 445, 478 (1899) (“it is undoubtedly true that legislatures cannot set aside the judgments of courts”); *United States v. O’Grady*, 89 U.S. 641, 647–48 (1874) (invalidating attempt by Congress to revise a final judgment entered by the Court of Claims because, “where no appeal is taken to [Supreme Court], [such judgments] are, under existing laws, absolutely conclusive of the rights of the parties, unless a new trial is granted by [Claims] court”); *Pennsylvania v. Wheeling & Belmont Bridge Co.*, 59 U.S. 421, 431 (1855) (“[an] act of congress cannot have the effect and operation to annul the judgment of the court already rendered, or the rights determined thereby”); *Massingill v. Downs*, 48 U.S. 760, 768 (1849) (“no legislative act can change the rights and liabilities of parties which have been established by solemn judgment”).

<sup>234</sup> See *Kelo v. City of New London*, 545 U.S. 469, 496–97 (2005).

<sup>235</sup> *Id.* at 489.

parallel court dismiss the lawsuit so long as any aspect of the lawsuit is still pending.<sup>236</sup> A first obvious remedy is to have Congress step in and legislate (versus judicial intervention) the scope and effect of a reexamination. Legislation would need to be carefully worded to avoid a potential separation of powers problem. Legislation may be crafted that either requires a court to dismiss an action, or may more subtly remove the case by stating that in the event of a canceled claim, the parallel no longer possesses jurisdiction. There are ways to craft the law so as to avoid having the law tell the courts what to do.

In a congressional fix to reexaminations, Congress stepped in to overrule the *In re Portola Packing* case.<sup>237</sup> There, the question raised was, what is a substantial “new” question of patentability?<sup>238</sup> The Federal Circuit held that a “new” question was one that the PTO had not previously considered.<sup>239</sup> As such, reexaminations could only be predicated on really “new” questions that used new art not considered by the PTO before.<sup>240</sup> Congress stepped in and legislatively overruled *Portola Packaging* and allowed for new questions to be raised even when the PTO had considered the prior art previously.<sup>241</sup>

## VI. A PRACTICAL REMEDY—SPEEDY LITIGATIONS

We see from the above discussion that litigants are faced with a dilemma. The dilemma is one of speed versus cost and efficiency. A patentee, in its best interest, should try to achieve final judgment on the patent litigation side prior to resolution of a co-pending reexamination.<sup>242</sup> So, it behooves a patentee to litigate a case in its entirety as quickly as possible. As such, the patentee will litigate

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<sup>236</sup> See *infra* notes 244–51 and accompanying text.

<sup>237</sup> *In re Portola Packaging*, 110 F.3d 786, 791 (Fed. Cir. 1997).

<sup>238</sup> *Id.* at 788.

<sup>239</sup> *Id.*

<sup>240</sup> *Id.*

<sup>241</sup> *Id.*; see also *In re Swanson*, 540 F.3d 1368, 1375–76 (Fed. Cir. 2008) (discussing history of *Portola Packaging* and the congressional overrides).

<sup>242</sup> See *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013) (“[W]hen a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot”).

both the liability and damages portions together. However, litigating the case entirely is costly and resource-intensive. Moreover, the district court may not stay a co-pending litigation, thereby making it costly and inefficient to prosecute a litigation and defend against a reexamination simultaneously.<sup>243</sup>

A defendant, on the other hand, may seek to bifurcate liability from damages and remedies.<sup>244</sup> For the defendant, it is more efficient and speedy to bifurcate the case under the theory that it is pointless to adjudicate remedies and damages if in fact there is no liability.<sup>245</sup> There is also the tactical advantage that, until there is some finality, the defendant has time to prosecute a co-pending reexamination to expunge the patent. A defendant may also instigate an early reexamination and seek a stay of the co-pending litigation, thereby arguing to the judge that scarce judicial resources are conserved and the PTO expertise on the patent's validity will result in a better outcome.

We believe that the proper resolution is that a patentee is the master of its lawsuit and, as an instigator of the suit, must suffer the consequences of potential time delays caused by bifurcation and/or a stay of district court litigation. The patentee chose to bring suit and subject the defendant to suit. To this end, the defendant is entitled to exercise whatever rights it has to stay litigation, seek bifurcation that undoubtedly results in delay, and institute a reexamination to knock out the patent.<sup>246</sup>

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<sup>243</sup> See *Robert Bosch Healthcare Sys., Inc. v. Cardiocom, LLC*, No. C-14-1575 EMC, 2014 WL 3107447, at \*3 (N.D. Cal. July 3, 2014) (“A court may grant a stay ‘in order to avoid inconsistent results, narrow the issues, obtain guidance from the PTO, or simply to avoid the needless waste of judicial resources, especially if the evidence suggests that the patents-in-suit will not survive reexamination.’”).

<sup>244</sup> See FED. R. CIV. P. 42(b). See also *Real v. Bunn-O-Matic Corp.*, 195 F.R.D. 618, 620 (N.D. Ill. 2000) (“Bifurcation in patent cases, as in others, is the exception, not the rule.”); *Remcor Prods. Co. v. Servend Int’l Inc.*, No. 93-C-1823, 1994 WL 594723 (N.D. Ill. Oct. 28, 1994); *THK Am. Inc. v. NSK Co. Ltd.*, 151 F.R.D. 625 (N.D. Ill.1993); *Kimberly-Clark Corp. v. James River Corp. of Va.*, 131 F.R.D. 607, 608 (N.D. Ga.1989); *Laitram Corp. v. Hewlett-Packard Co.*, 791 F.Supp. 113, 114 (E.D. La.1992) (“[C]ourts should not order separate trials unless such a disposition is clearly necessary.”).

<sup>245</sup> See *Remcor Prods. Co.*, 1994 WL 594723, at \*1.

<sup>246</sup> It is not unfair for a party to avail itself of any statutory remedy it has that Congress intended it to have. See *Parmenter v. Wal Mart Stores, E., L.P.*, No. 3:06CV1585 PCD, 2007 WL 2071625 (D. Conn. 2007) (“Rather, where there is a statutory remedy addressing the public policy at issue, courts should adhere to the statutory remedial

We also believe that the system, as it exists, is sufficient to protect the rights of patentees. If the patentee escapes reexamination with claims intact, then liability is further established. Furthermore, though not binding on a trial court, we imagine that a patent that escapes reexamination will be shrouded by even greater protection by the trial court.

#### VII. THE EFFECT OF PARALLEL REEXAMINATION IN PHARMACEUTICAL PATENT LITIGATION

Parallel reexamination may impact the unique world of Hatch-Waxman Act brand-generic drug patent litigation.<sup>247</sup> The Hatch-Waxman Act is very complicated, as it creates a prospective patent litigation consequence.<sup>248</sup> In this context, the generic drug company usually develops the generic drug version in view of various brand company patents. Usually, when the generic drug company files its generic drug dossier with the Food and Drug Administration (“FDA”), it will certify to the FDA that one or more patents in question are not an obstacle to FDA approval of the dossier.<sup>249</sup> Later, the generic drug company must notify the brand company that the dossier has been filed and certifications to various patents have been lodged.<sup>250</sup> This allows the brand company to sue the generic company for patent infringement.<sup>251</sup> The lawsuit to vet out

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scheme dictated by the legislature, since ‘we can presume that the legislature would have provided additional relief in the statute if it thought it necessary.’”)

<sup>247</sup> The Hatch-Waxman Act is the name commonly used to refer to the Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, 98 Stat. 1585 (1984) (codified at 21 U.S.C. §§ 355, 360(cc) (2000), 35 U.S.C. §§ 156, 271, 282 (2000)), amended by Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, 117 Stat. 2066 (2003).

<sup>248</sup> See *Janssen Pharmaceutica, N.V. v. Apotex, Inc.*, 540 F.3d 1353, 1356 (Fed. Cir. 2008) (“In order to bring about early resolution of patent disputes between generics and pioneering drug companies, the Act provides that the filing of a Paragraph IV Certification is an act of patent infringement.”).

<sup>249</sup> UPADHYE, *supra* note 65, § 10:5.

<sup>250</sup> *Id.*

<sup>251</sup> See *Janssen*, 540 F.3d at 1356 (“For Paragraph IV ANDAs, the timing of approval depends upon two events: (1) whether the pioneer drug company brings an infringement action within 45 days of learning of the Paragraph IV ANDA filing, and (2) whether the company seeking approval was the first one to file an ANDA containing a Paragraph IV Certification to a listed patent.”).

the patent issues runs parallel to the FDA approval process.<sup>252</sup> If the patentee wins the lawsuit, then the FDA is forbidden from approving the dossier until the underlying patent expires.<sup>253</sup> If the patentee loses, then the generic company may obtain final dossier approval and launch the product. The launch of the generic drug product prior to ultimate final resolution may cause serious market damage to the brand company and subject the generic company to significant patent damages.<sup>254</sup> Accordingly, to maximize its ability to market the drug and to minimize the risk of damage, the generic drug company needs to win.

In the first instance, the generic drug company can instigate a reexamination prior to filing the generic drug dossier. The benefits of instigating and/or concluding a reexamination include not having to certify the patent later and litigate a patent.<sup>255</sup> If the patent is

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<sup>252</sup> See *Apotex, Inc. v. Thompson*, 347 F.3d 1335, 1339 (Fed. Cir. 2003) (“If the patentee files an infringement action within the designated 45-day period, the FDA may not approve the ANDA until 30 months have passed, unless the case is decided before then or the 30-month period is modified by the court before which the infringement action is pending.”).

<sup>253</sup> See UPADHYE, *supra* note 65, § 16:3; see also 35 U.S.C. § 271(e)(4)(A) (2012) (“(4) For an act of infringement described in paragraph (2)— (A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed.”).

<sup>254</sup> See, e.g., *Sanofi-Aventis Deutschland GmbH v. Glenmark Pharm. Inc., USA*, 748 F.3d 1354, 1357 (Fed. Cir. 2014) (affirming patent validity) (“Trial was to a jury. Glenmark admitted infringement, and the jury held that the ‘244 patent had not been proved invalid. The jury awarded \$15,200,000 in lost profits and \$803,514 in price erosion damages.”); *Astrazeneca AB v. Apotex Corp.*, 985 F. Supp. 2d 452, 460 (S.D.N.Y. Dec. 3, 2013) (“This Opinion concludes that Astra is entitled to a reasonable royalty for Apotex’s infringement of the Patents in the amount of 50% of Apotex’s profits on its infringing sales or \$76,021,994.50, plus pre-judgment interest.”).

<sup>255</sup> If the patent is cancelled such that no claim remains in the patent for which the brand drug product is claimed, then the patentee must delist the patent. 21 U.S.C. § 355(b)(1)(G) (“The applicant shall file with the application the patent number and the expiration date of any patent which claims the drug for which the applicant submitted the application or which claims a method of using such drug and with respect to which a claim of patent infringement could reasonably be asserted if a person not licensed by the owner engaged in the manufacture, use, or sale of the drug. If an application is filed under this subsection for a drug and a patent which claims such drug or a method of using such drug is issued after the filing date but before approval of the application, the applicant shall amend the application to include the information required by the preceding sentence. Upon approval of the application, the Secretary shall publish information submitted under the two preceding sentences.”).



broad, a reexamination may nullify or narrow the patent sufficiently so as to guide the development and avoid patent liability.<sup>256</sup> The drawback is that, by nullifying or narrowing the patent, it may allow competitor generic companies to free ride on the efforts of the instigating company. Accordingly, there is a free-rider problem, though the consumers at large benefit from increased competition.<sup>257</sup>

A second instance where reexamination may prove useful is when Paragraph IV litigation just starts. As discussed above, a district court judge may choose to stay any co-pending litigation in favor of the co-pending reexamination.<sup>258</sup> Because the district court uses the heightened standard of invalidity (i.e., clear and convincing evidence), conceivably it is “easier” to invalidate the claims in reexamination because of the lower thresholds at the PTO.<sup>259</sup> Ac-

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<sup>256</sup> See *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (en banc) (“In a very real sense, the intent underlying reexamination is to ‘start over’ in the PTO with respect to the limited examination areas involved, and to *re* examine the claims, and to *examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding.”).

<sup>257</sup> *Teva Pharm. USA, Inc. v. Abbott Labs.*, CIV. 02-1512-SLR, 2008 WL 4809116, at \*2 (D. Del. Nov. 5, 2008) (“I am not persuaded by the case law defendants cite for the proposition that the prevention of ‘free riding’ is a legitimate business justification. Indeed, the Hatch–Waxman Act establishes and condones the opposite proposition, the ‘piggybacking’ of generics. Based on the reasoning of such cases as *SmithKline Beecham Corp. v. Apotex Corp.*, 247 F.Supp.2d 1011 (N.D.Ill.2003), if defendants present their ‘free riding’ argument, I will include an instruction that such conduct is lawful.”) (citing *SmithKline Beecham Corp. v. Apotex Corp.*, 247 F. Supp. 2d 1011, 1051–52 (N.D. Ill. 2003), *aff’d*, 365 F.3d 1306 (Fed. Cir. 2004), *opinion vacated on reh’g en banc*, 403 F.3d 1328 (Fed. Cir. 2005), *superseded*, 403 F.3d 1331 (Fed. Cir. 2005), *aff’d on other grounds*, 403 F.3d 1331 (Fed. Cir. 2005) (“SmithKline points out that Apotex wants to take a free ride (“usurping,” SmithKline calls it) on the considerable investment made by SmithKline in obtaining FDA approval for Paxil. It is indeed much easier to establish bioequivalence than it is to convince the FDA that an original drug is safe and effective. But that kind of free riding the law permits, and indeed the Hatch–Waxman Act encourages. Moreover, free riding is an integral part of the scheme of the patent law. In exchange for the exclusive and in the case of Paxil very valuable rights that a valid patent grants, the patentee is required to make public disclosure of the steps required to create the patented product, so that when the patent expires and the patented product enters the public domain competitors can manufacture the product. Those competitors are free riders with a vengeance. But they are lawful free riders. And so is Apotex.”)).

<sup>258</sup> See *supra* note 182 and accompanying text.

<sup>259</sup> See 37 C.F.R. § 1.555 (“A prima facie case of unpatentability of a claim pending in a reexamination proceeding is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard,

cordingly, because of the speed associated with the reexamination, it may be that the PTO nullifies the challenged patent whilst the litigation is stayed. When the PTO nullifies the patent (or the Federal Circuit after appeal affirms the invalidity), the generic drug company will then domesticate the reexamination verdict into the district court process. Once the district court enters judgment, any residual 30-month litigation stay will be terminated and, if the generic drug dossier is in a condition of approval, then the dossier will be finally approved.<sup>260</sup> Therefore, the reexamination pathway provides for the ability to avoid a co-pending litigation before a district court.<sup>261</sup>

A third instance where reexamination may prove beneficial is the avoidance of parallel district court litigation in which the court has already adjudicated the patent validity. For example, suppose the brand drug company has already sued generic company #1 and won. Under the rules, therefore, the generic company #1's generic drug dossier cannot be approved until the relevant patent expires.<sup>262</sup>

Generic drug company #2 may wish to challenge the patent, but would know that the brand company is likely to sue company #2 in the very same court and preferably the very same judge as before. The likelihood that #2 will prevail where #1 failed is low, so #2 decides to file a reexamination without provoking the district court litigation. To do so, #2 may choose to file the generic drug dossier with a so-called Paragraph III Certification to the relevant patent.<sup>263</sup> This means that the dossier will be substantively reviewed by the FDA, but the brand drug company neither knows

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giving each term its broadest possible construction consistent with the specification . . .").

<sup>260</sup> The 30-month litigation stay expires with a district court judgment that the patent is no longer considered blocking. 21 U.S.C. § 355(j)(5)(B)(iii) (2012).

<sup>261</sup> See, e.g., *Amneal Pharms. LLC v. Supernus Pharms., Inc.*, IPR 2013-00368, IPR 2013-00371, & IPR 2013-00372 (P.T.A.B.). Here, Amneal was not the first generic company to challenge the patents.

<sup>262</sup> 35 U.S.C. § 271(e)(4)(A) (2012) (“(4) For an act of infringement described in paragraph (2)—(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed.”).

<sup>263</sup> *Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, 527 F.3d 1278, 1285 n.3 (Fed. Cir. 2008).

about the pending dossier nor can institute suit (because the company did not file a Paragraph IV Certification to instigate suit).

By instigating a reexamination instead of challenging the patent in court, the generic drug company #2 may utilize the exact same prior art that the district court previously vetted to invalidate the patent.<sup>264</sup> Moreover, because of the limited discovery allowed, the costs are significantly cheaper.<sup>265</sup> In addition, the invalidation of the patent in reexamination coupled with the termination of the district court case may dislodge company #1 to earn dossier approval and launch the product. In essence, if company #1 has the so-called 180-Day Exclusivity, the launch will start that clock running.<sup>266</sup> Under the forfeiture laws, if company #1 cannot launch (for any other reason), then the domestication of the judgment may cause a forfeiture of the 180-Day Exclusivity.<sup>267</sup> In short, subsequent dossier filers may use the reexamination to not only dislodge a patent barrier proven to exist in the mind of a court, but also to gain a competitive advantage in the generic drug marketplace.<sup>268</sup>

#### CONCLUSION

In this Article we have illustrated the full ramifications of the concept of reexamination of a patent through the PTO and its effect on federal court litigation. We proposed that the courts should unify certain aspects of reexamination with parallel (or prior) federal court litigation. We debunked the allegations that a constitu-

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<sup>264</sup> See 35 U.S.C. § 301 (2012).

<sup>265</sup> *Id.* § 316(a)(5).

<sup>266</sup> 21 U.S.C. § 355(j)(5)(B)(iv)(I) (2012).

<sup>267</sup> *Id.* § 355(j)(5)(D)(i)(I).

<sup>268</sup> See, e.g., *Ranbaxy Labs. v. Vertex Pharms., Inc.*, IPR 2013-0024 (P.T.A.B. June 18, 2013) (regarding fosamprenavir). Vertex sued Mylan in traditional Paragraph IV litigation regarding the '989 patent. Several months later, Ranbaxy instigated an IPR against the '989 patent by arguing obviousness. Within a few months, Ranbaxy and Vertex settled the IPR and future Hatch-Waxman Paragraph IV litigation. IPR 2013-0024, Paper No. 69. Meanwhile, Mylan continued to fight the patent in parallel litigation when the trial judge denied Mylan's motion to stay its litigation pending resolution of the parallel IPR. *VIIIV Healthcare Co. v. Mylan, Inc.*, CV 12-1065-RGA, 2013 WL 6094289 (D. Del. Sept. 17, 2013). See also *Apotex v. Alcon*, IPR 2013-00012 (P.T.A.B. Mar. 19, 2013) (regarding moxifloxacin). There, Apotex did not challenge the patents in court, likely knowing that the trial judge and appeals court held the patent valid. Apotex successfully instigated an IPR on the base patent but ultimately settled its IPR.

tional crisis is afoot. We also debunked the allegation that somehow running a parallel reexamination is unfair to the patentee. We also examined the heady civil procedure rules of finality and how finality of a judgment can be either solidified or nullified through reexamination. We also are concerned that the courts are being called upon to correct perceived inequalities, when in fact the remedy (as is often the case with statutory application) rests with Congress to amend the statutes appropriately.<sup>269</sup>

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<sup>269</sup> See *Wyeth v. Kappos*, 591 F.3d 1364, 1370 (Fed. Cir. 2010) (“Regardless of the potential of the statute to produce slightly different consequences for applicants under similar situations, this court does not take upon itself the role of correcting all statutory inequities, even if it could. In the end, the law has put a policy in effect that this court must enforce, not criticize or correct.”).