

THE BROKEN SYSTEM OF PARALLEL PATENT PROCEEDINGS: HOW TO CREATE A UNIFIED, ONE-JUDGMENT SYSTEM

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INTRODUCTION

In 1971, the Supreme Court in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*¹ held for the first time that a patentee is estopped² from asserting the validity of his patent against one defendant when it had been declared invalid in a prior federal suit against a different defendant, unless the patentee can show that he lacked a full and fair chance to litigate the patent's validity in the prior suit.³ This seminal decision was heavily influenced by an understanding among the justices that patent litigation is especially costly, and, therefore, allowing *re litigation* of patent validity is particularly undesirable.⁴ The Court further enunciated clear economic reasons to justify this holding, including (1) that alleged infringers may simply pay royalties rather than risk expensive litigation; (2) that forcing some parties to pay royalties while allowing others making the same product to avoid payment creates an unbalanced marketplace; and (3) that these costs are eventually passed on to the public.⁵

Since *Blonder-Tongue* was decided in 1971, the patent landscape has changed dramatically,⁶ and for various reasons this now-established estoppel provision is no longer sufficient to fully achieve the goals of the *Blonder-Tongue* Court. In the years since that decision, patent filings have dramatically increased, accompanied by an enormous rise in

¹ 402 U.S. 313 (1971).

² "Estoppel" prevents a party from asserting a claim that contradicts what has been legally established as true. BLACK'S LAW DICTIONARY 629-30 (9th ed. 2009).

³ *Blonder-Tongue*, 402 U.S. at 347-50. The Court noted that determining whether a patentee has had a full and fair chance to litigate his patent in an earlier case is not a simple matter. Accordingly, it laid out several factors that can be considered, including: (1) whether the patentee was plaintiff in a prior suit and chose to litigate the patent's validity at that time and place; (2) whether the patentee was prepared to litigate at that time; (3) when the issue is obviousness, whether the validity determination used the standards announced in *Graham v. John Deere Co.*, 383 U.S. 1 (1966); (4) whether the prior court failed to grasp the technical subject matter of the issues in suit; (5) whether the patentee, without fault, was deprived of critical evidence or witnesses in the prior litigation; and (6) whether the trial court deems it proper using its own sense of justice and equity. See *Blonder-Tongue*, 402 U.S. at 333-34.

⁴ *Id.* at 334 ("An examination of the economic consequences of continued adherence to [the prior precedent] *begin[s]* with the acknowledged fact that patent litigation is a very costly process.") (emphasis added); *id.* at 338 ("[P]rospective defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent."); *id.* at 348 ("[A]lthough patent trials are only a small portion of the total amount of litigation in the federal courts, they tend to be of disproportionate length.").

⁵ *Id.* at 346.

⁶ U.S. Patent Statistics Chart Calendar Years 1963-2014, U.S. PAT. & TRADEMARK OFF., http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last modified July 24, 2014) (chart showing increase in patent filings and grants).

granted patents.⁷ A natural consequence of such an explosion is an ever-increasing number of disputes between patent owners and alleged infringers.⁸

In 1980, Congress attempted to improve the patent system by amending the Patent Act to allow reexamination of patents by the United States Patent and Trademark Office (USPTO).⁹ Under this provision, the USPTO was given limited jurisdiction to review already granted claims¹⁰ if a substantial new question of patentability of the claim(s) was raised.¹¹ As part of its new authority, if the USPTO determines in reexamination that the challenged claim(s) of the patent was erroneously granted, it issues a certificate of correction invalidating the claim(s) in question.¹² Problematically, however, the *ex parte* reexamination statute does not prevent concurrent or multiple rulings by the USPTO and district courts.¹³ In *ex parte* reexaminations, which are the focus of this Note, any member of the public is allowed to file the request.¹⁴ In implementing the reexamination procedures, Congress attempted to create a more expeditious system of review.¹⁵ Patent holders would now be able to have their patent's validity reviewed by an organization where "the most expert opinions exist and at a much reduced cost."¹⁶ Congress has also significantly expanded post-grant review proceedings as a result of the Leahy-Smith America Invents Act, but much of what is discussed in this Note is still broadly applicable to this updated statute.¹⁷

The reality of the *ex parte* reexamination system, however, is that these ideals are not being fully realized. For one, it is still not always

⁷ *Id.* In 1971, there were 104,729 applications for utility patents filed with the U.S. Patent and Trademark Office (USPTO). *Id.* By 2012, that number increased more than five times to 542,815. *Id.* Similarly, in 1971, there were 78,317 granted patents compared with an almost five times increase of 253,155 in 2012. *Id.* This increase, however, has not been constant. *Id.* There were only 59,577 more utility application filings in the twenty-one-year span of 1971–1991. *Id.* Compare that with a more than six times increase in the next twenty-one-year span—369,740 more filings in 2012 than in 1992. *Id.*

⁸ See PRICEWATERHOUSECOOPERS, A CLOSER LOOK—2008 PATENT LITIGATION STUDY: DAMAGES AWARDS, SUCCESS RATES AND TIME-TO-TRIAL 1 (2008), available at http://www.pwc.com/en_US/us/forensic-services/assets/2008_patent_litigation_study.pdf.

⁹ See Bayh-Dole Act of 1980, Pub. L. No. 96-517, 94 Stat. 3015 (1980) (adding *ex parte* reexamination procedure). For an in-depth discussion of reexamination procedure, see *infra* Part I.B.

¹⁰ See *infra* Part I.A for an explanation of claims.

¹¹ 35 U.S.C. § 303 (2012).

¹² *Id.* § 307. See *infra* Part I.A for a brief discussion of the importance of a patent's claims.

¹³ See 35 U.S.C. §§ 301–307 (2012); see also *In re Swanson*, 540 F.3d 1368, 1379 (Fed. Cir. 2008) (because USPTO reexaminations and district court litigations on the validity of the same patent are "differing proceedings with different evidentiary standards for validity," they are "not duplicative").

¹⁴ 35 U.S.C. § 302.

¹⁵ See H.R. REP. NO. 96-1307, at 3–4, 6 (1980).

¹⁶ *Id.* at 4.

¹⁷ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

clear when and what effect a reexamination will have on concurrent district court litigation, and vice versa.¹⁸ The creation of ex parte reexamination has inadvertently opened up an unintended universe of parallel proceedings where parties find themselves subject to disparate decisions from district courts and USPTO reexaminations.¹⁹ Consequently, strategic timing decisions by plaintiffs and defendants of when and how to proceed with reexaminations and litigation proceedings—for example, by initiating late reexaminations and requesting litigation stays—can increase, rather than decrease, the total litigation time.²⁰ Because the two proceedings are substantially different in scope and procedure, the unintended consequences of these differences are sometimes imposed upon the already expensive realities of patent disputes,²¹ with no working solution yet implemented.

This Note identifies and analyzes problems with this system as currently implemented and proposes an improved system of mandating district courts to grant the USPTO primary jurisdiction when confronted with a patent validity issue on the basis of prior art publications.²² It recommends that confining this issue to the jurisdiction of the USPTO is in line with its role and expertise, ideals of judicial economy, and the reduction of problems such as dilatory tactics, unfairness, and other undesirable gamesmanship.²³ Throughout, this Note identifies the deficiencies that this proposal would reduce or eliminate altogether. It also demonstrates that giving primary jurisdiction to the USPTO will better realize the important policy behind *Blonder-Tongue* than its holding ultimately accomplished.²⁴

Part I begins with a brief explanation of what reexamination procedures are and follows with a discussion of civil court patent disputes. It then details the most important differences between the two

¹⁸ Under the recently enacted America Invents Act, inter partes reexamination has been eliminated and replaced with inter partes review and post grant review proceedings, which have provisions designed to substantially curb simultaneous district court and USPTO proceedings. See 35 U.S.C. §§ 315, 325. Inter partes reexamination was very similar to ex parte reexaminations, with the most notable difference being an increased amount of communication between the patent office, the third-party requestor, and the patentee. See 4 DONALD S. CHISUM, CHISUM ON PATENTS § 11.07(4)(g) (Matthew Bender & Company 2013). Ex parte proceedings, however, remain substantially unchanged. See Leahy-Smith America Invents Act.

¹⁹ See, e.g., *In re Swanson*, 540 F.3d 1368, 1378 (Fed. Cir. 2008) (prior court judgment upholding validity does not prevent subsequent USPTO reexamination from finding otherwise).

²⁰ See James W. Morando & Janel Thamkul, *Hot Topics in the Parallel Universe of Patent Reexamination and Patent Litigation*, ABA IP ROUNDTABLE 5 (2010), available at https://apps.americanbar.org/litigation/committees/intellectual/roundtables/0310_outline.pdf.

²¹ See Chris Neumeyer, *Managing Costs of Patent Litigation*, IPWATCHDOG (Feb. 5, 2013), <http://www.ipwatchdog.com/2013/02/05/managing-costs-of-patent-litigation/id=34808> (average cost of patent litigation where \$1–\$25 million is at stake is \$1.6 million through discovery and \$2.8 million through final disposition).

²² See *infra* Part V.

²³ See *infra* Part V.

²⁴ See *infra* Part V.

and discusses the significance and interplay of those differences, especially when the procedures run concurrently. Part I concludes with a discussion of the present estoppel effects that reexaminations and civil court proceedings have on each other. Part II of this Note details why this is an untenable system. It explains why the decision in *Blonder-Tongue* is an incomplete solution and examines the recent Federal Circuit decision, *Fresenius USA, Inc. v. Baxter International, Inc.*,²⁵ which provides a modern example of how parallel proceedings are problematic. Part III focuses on current solutions, such as discretionary stays, that are either flawed or not refined enough to work. Finally, Part IV outlines how a primary jurisdiction system would function in the context of patent litigation and how, as a legal matter, courts could be obligated to apply it.

I. BACKGROUND

A. *What Is a Patent and How Is One Obtained?*

Patents are a form of economic regulation carried out through a limited private grant of exclusive rights to an invention.²⁶ They grant wholly negative rights that include only the right to stop others from making, using, selling, offering to sell, or importing the invention, and *not* positive rights to use the invention.²⁷ Once granted, a patent is entitled to a presumption of validity.²⁸ A patent has several key parts, but the most information is gleaned from the specification, drawings, and claims.²⁹ Each of these parts tells the public something different. The specification, for example, is a required part of the application,³⁰ where the inventor must provide “a written description of the invention, and of the manner and process of making and using it,” as well as the “best mode . . . of carrying out the invention.”³¹ Importantly, once the specification has been filed, no “new matter” can be added to it.³² The

²⁵ 721 F.3d 1330 (Fed. Cir. 2013).

²⁶ See generally 35 U.S.C. § 271 (2012).

²⁷ See *id.*; see also ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, PATENT LAW AND POLICY: CASES AND MATERIALS 49 (6th ed. 2013). In this Note, the term “patents” will be used to mean “utility patents,” which cover useful creations, and are the most prominent category of patents and often called “patents” without any modifier. *Id.* at 50. The other two categories of patents—“design patents” and “plant patents”—cover decorative creations and living plants, respectively, and will not be discussed further. *Id.*

²⁸ 35 U.S.C. § 282.

²⁹ MERGES & DUFFY, *supra* note 27, at 25–26.

³⁰ 35 U.S.C. § 111–12.

³¹ *Id.* § 112.

³² *Id.* § 132 (“No amendment shall introduce new matter into the disclosure of the invention.”).

drawings help explain the patent and are usually included as part of the application.³³ Finally, the claims, which are the portion of the document that define the scope of the patentee's rights,³⁴ *must* be included at the conclusion of the patent and are *the most important* part of the patent.³⁵

The process to obtain a patent is known as "prosecution," which is essentially a series of negotiations between the patentee and the examiner³⁶ where the patentee applies for a patent and subsequently argues back and forth with the examiner over whether he is entitled to a patent on his application.³⁷ During this process, the claims, which set forth the parameters of the invention in an issued patent,³⁸ are frequently amended.³⁹ These claims are examined for patentability during both initial examination and any post-issuance challenges to patent validity.⁴⁰ Because the claims set forth the parameters of the invention, they tell the public what constitutes an infringing product. Any product that embodies every element of the claim is infringing on the patent holder's rights, for which several remedies are available.⁴¹

When examining claims for the first time, one of the examiner's duties is to search for what is called "prior art."⁴² "Prior art" includes references used to determine whether the invention satisfies the statutory requirements that a patent have both "novelty" and "nonobviousness."⁴³ In the most basic sense, to satisfy "novelty" a claim must not be anticipated by any single reference, and to satisfy "nonobviousness," the differences between the prior art references and the claimed subject matter must not have been obvious to a person having ordinary skill in the art at the time of application.⁴⁴ Typically, "prior art" refers to both documentary sources (patents and publications anywhere in the world) and non-documentary sources (things known or

³³ *Id.* § 113 ("The applicant shall furnish a drawing where necessary for the understanding of the subject matter sought to be patented."); *see also* MERGES & DUFFY, *supra* note 27, at 25.

³⁴ *See* *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) (claims are "the portion of the patent document that defines the scope of the patentee's rights").

³⁵ MERGES & DUFFY, *supra* note 27, at 26.

³⁶ A patent examiner reviews patent applications to determine if they comply with basic rules and legal requirements. *Patent Examiner Positions*, U.S. PAT. & TRADEMARK OFF., <http://careers.uspto.gov/Pages/PEPositions> (May 30, 2015). They research the subject matter of the applications and communicate their findings on the patentability of them to the inventors or patent practitioners. *Id.*

³⁷ MERGES & DUFFY, *supra* note 27, at 50–51.

³⁸ *See* 1 CHISUM, *supra* note 18, GLOSSARY.

³⁹ MERGES & DUFFY, *supra* note 27, at 26.

⁴⁰ *See* 1 CHISUM, *supra* note 18, GLOSSARY.

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

used in the United States).⁴⁵ If the applicant is ultimately successful during prosecution, the process ends when one or more claims are allowed and the patentee is granted all the rights that a patent confers.⁴⁶

B. Reexaminations

After a patent issues, its validity can be challenged in two distinct ways: in district court and in the USPTO. As to the latter, at the termination of a USPTO reexamination proceeding—i.e., when either the time for appeal has expired or any appeal proceeding has terminated—a certificate will issue that informs what rights the patent owner retains.⁴⁷ Three outcomes are possible under Title 35 of the United States Code: the claim(s) under reexamination are either (1) cancelled or (2) confirmed⁴⁸ and/or any proposed amended or new claim determined to be patentable is incorporated into the patent.⁴⁹

When the USPTO issues a patent,⁵⁰ it loses its plenary authority of determining patentability.⁵¹ However, “any person” at any time during the period of enforceability of a patent may challenge its validity by filing a request for an ex parte reexamination on the basis of any prior art patents or printed publications.⁵² The “any person” provision is without restriction and does not even require the requestor to have any connection, financial or otherwise, to the patent.⁵³ Further, it also extends to corporations⁵⁴ and allows the requestor to remain anonymous throughout.⁵⁵ It must also be accompanied by a fee, which

⁴⁵ *Id.* Note, however, that ex parte reexamination proceedings allow the introduction of only documentary sources—i.e., patents and printed publications—as “prior art.” 35 U.S.C. §§ 301–02 (2012).

⁴⁶ MERGES & DUFFY, *supra* note 27, at 53.

⁴⁷ 35 U.S.C. § 307(a).

⁴⁸ *Id.*

⁴⁹ *Id.* Section (b) of the statute instructs that amended or new claims are treated like reissued patents under section 252, and that the claims will have effect from the date of the original patent “to the extent that its claims are substantially identical.” *Id.* § 252. The way in which these three outcomes can affect a civil proceeding is discussed *infra* Part II.

⁵⁰ See discussion *supra* Part I.A.

⁵¹ See U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 1305 (9th ed. Mar. 2014) [hereinafter MPEP] (“Once the patent has been granted, the U.S. Patent and Trademark Office can take no action concerning it, except as provided in 35 U.S.C. 135, 35 U.S.C. 251 through 256, [and] 35 U.S.C. 302 through 307 and 35 U.S.C. 311 through 316.”).

⁵² 35 U.S.C. § 302 (2012).

⁵³ MPEP, *supra* note 51, § 2203 (including “patentees, licensees, reexamination requesters, real parties in interest to the patent owner or requester, persons without a real interest, and persons acting for real parties in interest without a need to identify the real party of interest”).

⁵⁴ MPEP, *supra* note 51, § 2212.

⁵⁵ See MPEP, *supra* note 51, § 2203; see also *id.* § 2212 (“[T]here are no types of ‘persons’ who are excluded from being able to seek reexamination. Corporations and/or governmental entities are included within the scope of the term ‘any person.’” (emphasis added)).

was substantially increased as part of the recent Leahy-Smith American Invents Act.⁵⁶ At this juncture, the USPTO must decide within three months,⁵⁷ on the basis of the cited art and the requestor's arguments, the threshold issue of whether a substantial new question of patentability of any claim has been raised.⁵⁸ If the threshold determination is made that a substantial new question of patentability exists, that determination is not subject to review by the courts until a final agency decision has issued and there is no right to petition that finding,⁵⁹ nor may a party be enjoined from seeking reexamination.⁶⁰

Once a substantial new question is found, an order for a reexamination of the patent is made.⁶¹ At this time, the patent owner may, but is not required to, file a statement on the question of patentability, including proposing amendments to the disputed patent's claims.⁶² However, this opens the door for the initial requestor to file a response,⁶³ which they are otherwise barred from doing.⁶⁴

In reexamination procedures, the USPTO performs the examination free and clear from any presumption of validity.⁶⁵ Even though the patent has issued and is valid until proven otherwise, the provisions for reexamination create a legal fiction that returns the procedure to the time of initial examination, when there was no issued patent and therefore no presumption of validity yet created.⁶⁶ As a result, examiners are reviewing patentability in light of the prior art

⁵⁶ In 2012, the fee for instituting an *ex parte* reexamination rose dramatically, from \$2520 to \$17,750. Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 Fed. Reg. 3666-01 (proposed Jan. 25, 2012) (to be codified at 37 C.F.R. pt. 1). However, in 2013, the USPTO subsequently reduced this to only \$12,000. Setting and Adjusting Patent Fees, 78 Fed. Reg. 4212-01 (Jan. 18, 2013) (to be codified at 37 C.F.R. pt. 1, 41, 42). This is still, however, a more than five-fold increase than from 2011. As would be expected, there was a spike of reexaminations filed right before the price increase and there has been subsequently many fewer applications filed. See Jason Rantanen, *PTO Post-Issuance Filings*, PATENTLY-O (Sept. 26, 2013), <http://www.patentlyo.com/patent/2013/09/pto-post-issuance-filings.html>. It is too early to tell if the application numbers will rise again to their pre-AIA levels, but having so many fewer applications could lead to a faster turnaround time in future reexaminations, which favors making the USPTO the sole adjudicator of this matter. See discussion *infra* Part V.

⁵⁷ 37 C.F.R. § 1.515(a) (2012).

⁵⁸ 37 C.F.R. § 1.510(b).

⁵⁹ MPEP, *supra* note 51, § 2246; see also *Joy Mfg. Co. v. Nat'l Mine Serv. Co.*, 810 F.2d 1127, 1130 (Fed. Cir. 1987) ("The decision . . . to institute reexamination is not subject to review, . . . and the injunction sought against . . . [defendant] would have no effect on reexamination since . . . [defendant], as the requestor, has no future role to play in that *ex parte* proceeding." (citation omitted)).

⁶⁰ *Joy Mfg.*, 810 F.2d at 1130.

⁶¹ 35 U.S.C. § 304 (2012).

⁶² *Id.*

⁶³ *Id.*

⁶⁴ 37 C.F.R. § 1.535 (2012).

⁶⁵ See *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

⁶⁶ See *id.* (intent behind reexamination is to "start over" and to examine the claims as if no presumption of validity had been created).

under only a “preponderance of the evidence” standard.⁶⁷ This standard is markedly different from the presumption of validity that attaches to the patent in district court.⁶⁸ Presumably, then, anyone challenging patent validity on the basis of prior art would prefer to have the patent examined under the USPTO’s lesser standard, because they would not have to face the hurdle of overcoming any presumption in favor of patentability.⁶⁹ While agencies are not subject to the judicial concept of *stare decisis*,⁷⁰ patentees might find it unfair to have their presumably valid patents subject to the same rigorous examination that has already resulted in an ostensibly valid patent. The lower standard, however, arguably favors a stronger patent system by disallowing the patentee any advantage in keeping a patent that should have been and would have been invalidated were the prior art properly presented to and examined by the USPTO during the initial examination. In turn, this favors upholding the statutory provisions of the Patent Act that govern the entire patent system.⁷¹

To further aid in understanding why the USPTO is uniquely situated to pass judgment on patent validity matters, an examination of the goals behind the statute granting reexamination authority to the USPTO is useful. One specific goal of the statute was to permit patent owners to have the validity of their patents tested in the Patent Office where “the most expert opinions exist” and where cost is significantly reduced compared to litigation.⁷² The assertion that the “most expert opinions” exist in the USPTO is important because it strongly supports the notion that the USPTO should be the primary (and perhaps only) arbiter of patentability. When reviewing complex and highly technical patent applications, the patent system would benefit from patent reexamination by those who are in the best position to actually comprehend and analyze not only the application in front of them, but also all the other potentially complex inventions that can be asserted as prior art.⁷³ To this effect, in *Blonder-Tongue*, Justice White noted the following regarding the complexity of patent cases:

⁶⁷ MPEP, *supra* note 51, § 706.1 (“The standard to be applied in all cases is the ‘preponderance of the evidence’ test. In other words, an examiner should reject a claim if, in view of the prior art and evidence of record, it is more likely than not that the claim is unpatentable.”); *see also In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008).

⁶⁸ 35 U.S.C. § 282(a).

⁶⁹ *See In re Etter*, 756 F.2d at 858–59 (the presumption is a rule of procedure that places the burden on the attacker of the patent’s validity in litigation, but its rationale is not present in reexaminations).

⁷⁰ BLACK’S LAW DICTIONARY 1537 (9th ed. 2009) (doctrine stating that courts must follow earlier judicial decisions when the same points arise in litigation).

⁷¹ *See generally* 35 U.S.C. §§ 1–390.

⁷² H.R. REP. NO. 96-1307 (1980).

⁷³ In fact, the USPTO requires their examiners to at least hold a degree in engineering, the life sciences, or the physical sciences. *Patent Examiner Positions*, *supra* note 36. There is no such requirement for district court judges or juries.

[S]ome courts have frankly stated that patent litigation can present issues so complex that legal minds, without appropriate grounding in science and technology, may have difficulty in reaching decision. . . . But assuming a patent case so difficult as to provoke a frank admission of judicial uncertainty, one might ask what reason there is to expect that a second district judge or court of appeals would be able to decide the issue more accurately.⁷⁴

In the context of allowing multiple *judges* without any “appropriate grounding in science and technology” to rule on the validity of patents, Justice White’s opinion is logical because there really is little reason to believe that one district judge will understand what is being examined any better than the other.⁷⁵ Notwithstanding that judges can have some technical knowledge and also have significant experience presiding over patent cases, the USPTO at minimum requires all of its examiners to have a technical undergraduate degree,⁷⁶ arguably giving them a better opportunity than judges to understand the inventions they are examining. Giving credence to the statement that the USPTO is where the “most expert opinions”⁷⁷ are, however, supports the belief that the USPTO “would be able to decide the issue more accurately.”⁷⁸ Therefore, if deciding the issue of patent validity “more accurately”⁷⁹ is important, this weighs heavily in favor of granting the USPTO primary jurisdiction over patent validity, at least within the scope that *ex parte* reexamination provides.

Another intent behind the *ex parte* reexamination statute was to reduce, and potentially end, the threat of high legal costs being used to force patent holders into allowing infringement or force licenses at lower cost than market value.⁸⁰ Because the reexamination proceedings were envisioned as being conducted with only a “fraction of the time and cost of formal legal proceedings,” they were supposed to help restore confidence in the patent system.⁸¹ Reexaminations, however, frequently occur concurrently with litigations,⁸² and each has its own

⁷⁴ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 331–32 (1971) (citations omitted).

⁷⁵ *Id.*

⁷⁶ *Patent Examiner Positions*, *supra* note 36.

⁷⁷ H.R. REP. NO. 96-1307 (1980).

⁷⁸ *Blonder-Tongue*, 402 U.S. at 332.

⁷⁹ *Id.*

⁸⁰ H.R. REP. NO. 96-1307.

⁸¹ *Id.*; *see also* *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985) (“The reexamination statute’s purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted.”).

⁸² *See* U.S. PATENT & TRADEMARK OFFICE, *EX PARTE REEXAMINATION FILING DATA* (2013), available at http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf (showing that thirty-two percent of lifetime *ex parte* reexamination filings are known to be in litigation).

appeals process.⁸³ Allowing both to occur simultaneously, thus, might not actually end the threat of high litigation costs because reexaminations can simply happen *in addition to*, and not *instead of* litigation.⁸⁴ Notably, many of the goals underlying the reexamination statute are the very same goals that were underlying the *Blonder-Tongue* decision,⁸⁵ constituting evidence that the Supreme Court and Congress alike share these ideals. As discussed below, today these goals are not being fulfilled, and recent legislation aimed at furthering these goals falls short of remedying the problems with *ex parte* reexaminations.

C. Reexamination Appeal Procedure

Assuming, now, that there was a once valid patent that has had any claim finally rejected as a result of a reexamination, the patent owner (and only the patent owner) may appeal that rejection to the Patent Trial and Appeal Board (PTAB),⁸⁶ and thereafter to the Court of Appeals for the Federal Circuit.⁸⁷ Because the statute on its face allows only a patent owner to appeal a rejection of a claim, there is no statutory right for a requestor to appeal a decision favorable to the patentee.⁸⁸ This appeal procedure is critical because if a patent is rejected and the patentee allows the time for appeal to lapse, the rejected claim(s) will be cancelled and the patent holder will lose all rights to that claim.⁸⁹ Assuming that no other party holds a blocking patent⁹⁰ covering the elements of the cancelled patent, the public would then be free to practice the elements previously covered by the cancelled patent.⁹¹ The ex-patentee would also be barred from bringing any new litigation based on the claims of the cancelled patent.⁹²

⁸³ See 35 U.S.C. § 134(b) (2012) (allowing patent owners to appeal final rejection of any claim to the Patent Trial and Appeal Board); *Court Jurisdiction*, U.S. CT. APPEALS FOR FED. CIRCUIT, <http://www.cafc.uscourts.gov/the-court/court-jurisdiction.html> (last visited May 31, 2015) (explaining that the U.S. Court of Appeals for the Federal Circuit has nationwide jurisdiction over patent appeals coming from all district courts).

⁸⁴ See EX PARTE REEXAMINATION FILING DATA, *supra* note 82 (showing that thirty-two percent of lifetime *ex parte* reexamination filings are known to be in litigation).

⁸⁵ See *supra* Introduction.

⁸⁶ 35 U.S.C. § 134 (2012); see also *Syntex (U.S.A.) Inc. v. U.S. Patent & Trademark Office*, 882 F.2d 1570, 1574 (Fed. Cir. 1989) (“Congress intended to limit appeals from final reexamination decisions to those initiated by patent owners seeking to reverse an unfavorable decision.”).

⁸⁷ 35 U.S.C. § 141(b) (2012).

⁸⁸ 35 U.S.C. § 134.

⁸⁹ *Id.*

⁹⁰ A “blocking patent” is “an earlier patent that must be licensed in order to practice a later patent. This often occurs, for instance, between a pioneer patent and an improvement patent.” *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1379 n.2 (Fed. Cir. 2000).

⁹¹ See 35 U.S.C. § 271(a) (infringement lawsuit can only be brought on the basis of a patented invention, which would not extend to a cancelled patent).

⁹² *Id.*

On appeal, the PTAB reviews the examiner's decision on what is essentially a de novo standard.⁹³ This decision is then appealable only to the Federal Circuit.⁹⁴ In reviewing the decisions of the PTAB, the Federal Circuit applies either a de novo or a substantial evidence standard of review. For factfinding questions, the Federal Circuit applies the more deferential substantial evidence standard.⁹⁵ Under this standard, the Federal Circuit considers whether a reasonable mind would accept the underlying evidence as supportive of its associated finding.⁹⁶ Practically speaking, this means that disputing the factfinding of the USPTO can be very difficult.⁹⁷ On the other hand, in the Federal Circuit, legal conclusions are given less deference and are reviewed de novo.⁹⁸

D. *Civil Proceedings*

The other way to challenge a patent after its issuance is through district court litigation. In district court, patent invalidity may be raised as an affirmative defense to infringement and challenged under a broad scope of statutory provisions, such as 35 U.S.C. §§ 101–03 and 112.⁹⁹ This broad array of affirmative statutory defenses is generally not

⁹³ *Ex Parte Frye*, No. 2009-006013, 2010 WL 889747, at *4 (B.P.A.I. Feb. 26, 2010). During initial examination, and likewise reexamination, the burden to reject the patent is placed squarely on the examiner, which puts the patentee on notice of the reasons why the patentee is not entitled to a patent—the so-called prima facie case. *Id.* at *3. This serves as the procedural mechanism that shifts the burden to the patentee who then must produce evidence and/or arguments to rebut that presumption. *Id.* Thus, the role of the PTAB in any subsequent appeal “is to, ‘on written appeal of an applicant, review adverse decisions of examiners upon applications for patents.’” *Id.* at *4 (citing 35 U.S.C. § 6(b) (2006)). To overcome, for example, an examiner's obviousness rejection, the patentee can submit “arguments and/or evidence to show that the examiner made an error in either (1) an underlying finding of fact upon which the final conclusion of obviousness was based, or (2) the reasoning used to reach the legal conclusion of obviousness.” *Id.* The PTAB panel then reviews this based only on the issues identified by the applicant “and in light of the arguments and evidence produced thereon.” *Id.* These issues are reviewed “anew.” *Id.* The PTAB thus does not review de novo all aspects of a rejection, but does for those aspects identified by the patentee. *Id.*

⁹⁴ 35 U.S.C. § 141(b).

⁹⁵ *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000) (“[W]e review Board factfinding for substantial evidence . . .”).

⁹⁶ *Id.* at 1312.

⁹⁷ See Scott A. McKeown, *Legal Conclusions & Fact Finding, Pursuing USPTO Appeals to the CAFC, PATENTS POST-GRANT* (June 4, 2012), <http://www.patentspostgrant.com/lang/en/2012/06/legal-conclusions-vs-fact-finding-winning-appeals-from-the-uspto-board>.

⁹⁸ *In re Swanson*, 540 F.3d 1368, 1374 (Fed. Cir. 2008) (“We review the Board's legal conclusions including statutory interpretation de novo.”).

⁹⁹ 35 U.S.C. §§ 101–03 and 112 are the provisions covering patentable subject matter, novelty, nonobviousness, and written description requirement/enablement. See also 35 U.S.C. § 282(b) for a listing of codified defenses that can be pleaded in any action involving the validity or infringement of a patent.

available for the USPTO to reconsider after patent issuance.¹⁰⁰ As a result, their availability as an affirmative defense in civil litigation is necessary to challenge patent validity based on non-prior art defenses (outside the one new special post-grant review proceeding available for only nine months after issuance).¹⁰¹ District court litigation can also involve a separate proceeding known as a *Markman*¹⁰² hearing, where claims are construed prior to trial. And even though patents are presumed valid in district court, this does not mean that claims are, therefore, always construed to preserve their validity.¹⁰³ Instead, there is a complex evaluation, which involves analyzing the claims themselves,¹⁰⁴ the specification,¹⁰⁵ the prosecution history,¹⁰⁶ and, to a lesser extent, extrinsic sources including expert testimony, dictionaries, and treatises.¹⁰⁷ No such separate examination occurs when claims are construed during a reexamination.

As previously mentioned, in civil proceedings patents are presumed valid,¹⁰⁸ contrary to the USPTO conducting reexaminations without any presumption,¹⁰⁹ and the Supreme Court recently affirmed that to invalidate a patent in federal court, the burden remains high.¹¹⁰ And in fact, the Court affirmed that because of this provision, a

¹⁰⁰ See 35 U.S.C. § 302 (request for reexamination is only on basis of prior art); *id.* § 311(b) (request for inter-partes review is “only on the basis of prior art consisting of patents or printed publications”). *But see id.* § 321 (during period limited to first nine months after patent issuance, post-grant review challenging validity of any claim can be initiated on basis of any condition for patentability).

¹⁰¹ *Id.* § 321. A discussion of whether the USPTO might actually be better equipped to handle challenges based on these statutory provisions for the life of the patent is beyond the scope of this Note.

¹⁰² A *Markman* hearing is a now-established part of patent law in which a trial judge holds a hearing to decide the meaning of any claim. MERGES & DUFFY, *supra* note 27, at 803–04. These hearings usually occur prior to trial because the meaning of the claim is very important at trial when trying to prove validity or infringement. *Id.* These decisions can be appealed, and are reviewed under a de novo standard. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (“[W]e review claim construction *de novo* on appeal including any allegedly fact-based questions relating to claim construction.”).

¹⁰³ See, e.g., *Phillips v. AWH Corp.*, 415 F.3d 1303, 1327 (Fed. Cir. 2005) (en banc) (“While we have acknowledged the maxim that claims should be construed to preserve their validity, we have not applied that principle broadly, and we have certainly not endorsed a regime in which validity analysis is a regular component of claim construction.”).

¹⁰⁴ *Id.* at 1314.

¹⁰⁵ *Id.* at 1315.

¹⁰⁶ *Id.* at 1317.

¹⁰⁷ *Id.*

¹⁰⁸ See *supra* Part I.B.

¹⁰⁹ See *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

¹¹⁰ See *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238 (2011). Justice Sotomayor began the majority opinion by noting that “[u]nder § 282 of the Patent Act of 1952, ‘[a] patent shall be presumed valid’ and ‘[t]he burden of establishing in-validity of a patent or any claim thereof shall rest on the party asserting such invalidity.’” *Id.* at 2242 (citing 35 U.S.C. § 282). By starting the opinion with this statement, the Court sent a strong message that the burden will remain a high one.

challenger who attacks the validity of a patent must overcome the presumption of validity with “clear and convincing evidence” that the patent is invalid.¹¹¹ If this statutory burden is not met, however, courts do not then find the patent to be valid.¹¹² Rather, they find that in the *particular* case before the court, the challenger did not carry the burden of establishing *invalidity*.¹¹³

A consequence of interpreting judicial findings of validity in this manner is the undesirable outcome that patentees can be forced to relitigate the validity of their patent until it expires, is finally declared invalid, or the patentee decides to stop enforcing it.¹¹⁴ Each time a patent owner chooses to enforce the patent through litigation against an alleged infringer, the alleged infringer can always raise the affirmative defense of patent invalidity on the basis of prior art.¹¹⁵ This is true regardless of whether the patentee has already prevailed in an earlier case against a different alleged infringer who raised the same affirmative invalidity defense on the basis of the same prior art.¹¹⁶ This scenario does not even factor in parallel reexamination proceedings, which further increase the patent owner’s frustration.

The above scenario appears to be the proper interpretation of the *Blonder-Tongue* decision,¹¹⁷ although there is a situation that could theoretically save a plaintiff whose patent has been held invalid. In *Blonder-Tongue*, there is a provision that says estoppel can only arise when the patentee had a “full and fair chance to litigate the validity” of the patent.¹¹⁸ In the Federal Circuit case of *Stevenson v. Sears, Roebuck & Co.*,¹¹⁹ the court interpreted this provision to mean that a prior ruling that a patent is not invalid raises only a question as to the correctness of a later ruling that a patent is invalid, but is still fully consistent with *Blonder-Tongue*.¹²⁰ In this circumstance, multiple prior rulings that a patent is not invalid would raise only a “red flag” warning to a court to

¹¹¹ *Id.*; see also *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (“In civil litigation, a challenger who attacks the validity of patent claims must overcome the presumption of validity with clear and convincing evidence that the patent is invalid.”).

¹¹² *In re Swanson*, 540 F.3d at 1377.

¹¹³ *Id.*

¹¹⁴ *Id.* (“[A] prior holding of validity is not necessarily inconsistent with a subsequent holding of invalidity, and is not binding on subsequent litigation . . .” (citation and internal quotation marks omitted)).

¹¹⁵ 35 U.S.C. § 282(b) (2012) (noting that the “[i]nvalidity of the patent or any claim in suit on any ground . . . as a condition for patentability” is a defense).

¹¹⁶ See Dennis Crouch, *Issue Preclusion in Repeat Patent Cases*, PATENTLY-O (Apr. 24, 2013), <http://patentlyo.com/patent/2013/04/issue-preclusion-in-repeat-patent-cases.html>.

¹¹⁷ *Blumcraft of Pittsburgh v. Kawneer Co., Inc.*, 482 F.2d 542, 549 (5th Cir. 1973) (noting that *Blonder-Tongue* intended “a knockout blow . . . so that *any time* a patent was found invalid,” the patentee could no longer win (emphasis added)).

¹¹⁸ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 333 (1971).

¹¹⁹ 713 F.2d 705 (Fed. Cir. 1983).

¹²⁰ *Id.* at 709 (quoting *Blumcraft*, 482 F.2d at 548–49).

apply the full and fair criteria very carefully to determine if, in now invalidating the patent, the court had fully comprehended it and the applicable standards.¹²¹ A prior successful suit by the patentee, the court emphasized, should not undermine the policy reasons of *Blonder-Tongue* in favor of applying estoppel.¹²² With this understanding, courts are free to relitigate validity when a prior case has held a patent not invalid, so long as they are careful in so doing.¹²³ Such an issue would not, however, arise with the USPTO conducting *ex parte* reexaminations, because there the requestor is always required to raise a “substantial *new* question of patentability.”¹²⁴

II. ANALYZING THE ISSUES THAT ARISE

A. Issue Preclusion

One of the issues that arises as a result of this two-track system is when and how a decision in one tribunal will affect the other. Although there are situations where estoppel *will* apply and ease the difficulties associated with having two forums for review, the estoppel provisions of the present system are not sufficient to remedy all of its problems. This failure inadvertently promotes gamesmanship where parties take advantage of the benefits of one system or the other, engaging in forum shopping, dilatory tactics, and other undesirable results.¹²⁵

The general concept of issue preclusion/collateral estoppel is that “courts should honor the first actual decision of a matter that has been actually litigated.”¹²⁶ Although the exact phrasing and requirements for issue preclusion in general vary among courts,¹²⁷ the Federal Circuit laid out four general principles that it requires: “(1) identity of the issues in a prior proceeding; (2) the issues were actually litigated; (3) the determination of the issues was necessary to the resulting judgment; and[] (4) the party defending against preclusion had a full and fair opportunity to litigate the issues.”¹²⁸ Additionally, issue preclusion generally applies only where the second action is between the same

¹²¹ *Stevenson*, 713 F.2d at 709.

¹²² *Id.*

¹²³ *Id.* at 713.

¹²⁴ 37 C.F.R. § 1.510(b)(1) (emphasis added).

¹²⁵ See Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 COLUM. SCI. & TECH. L. REV. 93, 110 (2011).

¹²⁶ 18 CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 4416 (2d ed. 2013).

¹²⁷ *Id.* (“So many limitations have emerged in such ambiguous forms that it seems impossible to achieve any statement that is both graceful and complete. Examples from several courts provide typically quotable statements.”).

¹²⁸ *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1366 (Fed. Cir. 2000) (collecting cases).

parties who were adversaries with respect to the particular issue in the prior action.¹²⁹ Due to *Blonder-Tongue*, however, nonmutual issue preclusion is allowed in patent cases but only when there is a prior holding of invalidity, and not validity.¹³⁰

Estoppel does apply when there is a *final* judgment of claim invalidity or unenforceability in district court litigation, after all appeals have been exhausted, and it is binding on both the patentee in future litigation and the USPTO in future reexaminations.¹³¹ In this circumstance, a substantial new question of patentability can no longer be raised in the USPTO because the claim has been held either invalid or unenforceable,¹³² and under *Blonder-Tongue*, so long as the patentee has had a full and fair opportunity to litigate the issue of patent validity, a defendant in a separate case may use that earlier judgment of invalidity to preclude the patentee from relitigating the issue of validity.¹³³ A final holding that a claim is not invalid in district court, however, is not controlling on the USPTO.¹³⁴

Estoppel also applies when there is a final determination by the USPTO that any claim is invalid, after all appeals have been exhausted, and it is binding on both the USPTO and federal courts.¹³⁵ This appears to be true even when there is a parallel district court litigation that has been argued and decided on the merits but stayed before judgment is executed. This particular point was the source of much contention in *Fresenius USA, Inc. v. Baxter International, Inc.*,¹³⁶ which involved parallel proceedings. The particular facts of *Fresenius* led the Federal Circuit to hold that the concluded USPTO proceeding, which cancelled the disputed claims, divested the court of jurisdiction, even though there had been a final judgment in court, because the judgment was not *sufficiently* final.¹³⁷ In both of these proceedings, then, the only time that estoppel would apply to bar any action on a patent is when either the

¹²⁹ RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982).

¹³⁰ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971) (“litigants . . . who never appeared in a prior action . . . have never had a chance to present their evidence and arguments on the claim[, and d]ue process prohibits estopping them despite one or more existing adjudications of the *identical issue*.” (emphasis added)).

¹³¹ MPEP, *supra* note 51, § 2686.04 (“Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the Office.”).

¹³² *Id.*

¹³³ *Blonder-Tongue*, 402 U.S. at 347–50.

¹³⁴ MPEP, *supra* note 51, § 2686.04 (“[A] court’s decision on *validity* . . . is not controlling on the Office.”).

¹³⁵ 35 U.S.C. § 307 (2012) (“[W]hen the time for appeal has expired or any appeal proceeding has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable.”).

¹³⁶ 721 F.3d 1330 (Fed. Cir. 2013). See *infra* Part III.A for a detailed discussion of this case.

¹³⁷ 721 F.3d 1330, 1340 (Fed. Cir. 2013); see also *infra* Part III.A.

district court has a final holding of invalidity¹³⁸ or the USPTO cancels claims after all appeals have been exhausted,¹³⁹ but *not* when either proceeding upholds a patent's validity.¹⁴⁰

B. Standard of Review

One of the ways that this system is problematic is in how it relates to the different standards of review. As Part I explains, there are many differences between *ex parte* reexaminations before the USPTO and civil litigation before district courts, which often run concurrently,¹⁴¹ and these differences cause disparate outcomes, often on the same evidence.¹⁴² One of the critical distinctions between the two is the standard of review employed by the reviewing authority, with the USPTO reviewing patents under a “preponderance of the evidence”¹⁴³ standard and district courts reviewing under a “clear and convincing evidence” standard.¹⁴⁴

The differences between these two standards can have large implications for the parties before the Federal Circuit, because whether the issue on review is a factual finding or legal conclusion directly affects the amount of deference it is given.¹⁴⁵ In the context of a reexamination

¹³⁸ MPEP, *supra* note 51, § 2686.04 (“Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the Office.”).

¹³⁹ 37 C.F.R. § 1.570 (“If an *ex parte* reexamination certificate has been issued and published which cancels all of the claims of the patent, no further Office proceedings will be conducted with that patent or any reissue applications or any reexamination requests relating thereto.”).

¹⁴⁰ See MPEP, *supra* note 51, § 2686.04 (“[A] court’s decision on *validity* . . . is not controlling on the Office.”); *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (“[A] prior holding of validity is not necessarily inconsistent with a subsequent holding of invalidity, and is not binding on subsequent litigation” (citation and internal quotation marks omitted)).

¹⁴¹ 28 U.S.C. § 1338(a) (2012) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents.”); 35 U.S.C. § 302 (“Any person *at any time* may file a request for reexamination.” (emphasis added)); see also MPEP, *supra* note 51, § 2286 (“Requests for *ex parte* reexamination are frequently filed where the patent for which reexamination is requested is involved in concurrent litigation.”).

¹⁴² *In re Swanson*, 540 F.3d at 1377 (“[R]eexamination[s] are conducted according to the procedures established for initial examination, and PTO examination procedures have distinctly different standards, parties, purposes, and outcomes compared to civil litigation. In particular, ‘the two forums take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions.’” (alterations in original) (citations omitted)); *id.* (stating that the “preponderance of the evidence” standard of proof is “substantially lower” in USPTO reexaminations than in a civil case).

¹⁴³ MPEP, *supra* note 51, § 706.1 (“The standard to be applied in all cases is the preponderance of the evidence test. In other words, an examiner should reject a claim if, in view of the prior art and evidence of record, it is more likely than not that the claim is unpatentable.” (internal quotation marks omitted)).

¹⁴⁴ See *supra* note 111.

¹⁴⁵ See *In re Swanson*, 540 F.3d at 1374; *In re Gartside*, 203 F.3d 1305 (Fed. Cir. 2000) (holding that “substantial evidence,” while less deferential than the highly deferential “arbitrary capricious” standard, is still “deferential”).

reviewed on appeal, because an appellant is arguing for a different outcome than in the lower tribunal, that appellant would prefer little or no deference to the prior decision.¹⁴⁶ A patentee, then, while feeling that it is unfair that the patent at issue is not given a presumption of validity during the reexamination proceeding,¹⁴⁷ nevertheless benefits when that adverse decision is reviewed without deference on appeal to the PTAB and again to the Federal Circuit.¹⁴⁸

As a result of these different standards, when a patent holder sues an alleged infringer in district court, that alleged infringer will often decide to take advantage of the lower standard of review in the USPTO, file for reexamination of the alleged infringing claims,¹⁴⁹ and petition the district court judge to stay the litigation pending resolution of the reexamination.¹⁵⁰ Upon the USPTO invalidating the claims, jurisdiction would be removed from the district court because there is no longer a valid claim.¹⁵¹ While the USPTO is directed to act with “special dispatch” in reexamination proceedings and appeals to the PTAB,¹⁵² in reality even if the reexamination proceeding occurs quickly, the appeals process can still be drawn out and time-consuming, and ultimately the appeals will end up in the same location, the Federal Circuit.¹⁵³

The differing standards of review also come into play in the context of the estoppel issue. A judgment in one proceeding has no binding effect on the other until at least there has been a final judgment,¹⁵⁴ and as a result, allowing a stay of district court proceedings during *ex parte* reexamination has the potential to lengthen already protracted district court proceedings.¹⁵⁵ Furthermore, in the USPTO’s own guidance document, they explicitly note that while some deference can be accorded to a district court’s factual findings, ultimately their own determination on whether a basis for reexamination exists is to be made independently of any district court’s determination on validity.¹⁵⁶ As a result of this understanding, a defendant, rather than filing for reexamination early might instead adopt a wait-and-see approach in

¹⁴⁶ BLACK’S LAW DICTIONARY 114 (9th ed. 2009) (defining “appellant” as “[a] party who appeals a lower court’s decision, usu[ally] seeking reversal of that decision”).

¹⁴⁷ See *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

¹⁴⁸ *In re Swanson*, 540 F.3d at 1374.

¹⁴⁹ See EX PARTE REEXAMINATION FILING DATA, *supra* note 82 (thirty-two percent of lifetime *ex parte* reexamination filings are known to be in litigation).

¹⁵⁰ See *infra* Part IV.B.

¹⁵¹ See, e.g., *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1338 (Fed. Cir. 2013) (suits based on cancelled claims must be dismissed), *cert. denied*, 134 S. Ct. 2295 (2014).

¹⁵² 35 U.S.C. § 305 (2012).

¹⁵³ See 35 U.S.C. § 141(b); EX PARTE REEXAMINATION FILING DATA, *supra* note 82 (average reexamination pendency of 27.8 months).

¹⁵⁴ See *supra* Part II.A.

¹⁵⁵ See EX PARTE REEXAMINATION FILING DATA, *supra* note 82 (average reexamination pendency of 27.8 months).

¹⁵⁶ See MPEP, *supra* note 51, § 2686.04.

court and allow the court to make early determinations on the claims. If the case is not advancing in defendant's favor, this might provide motivation to seek something akin to a second independent opinion in the USPTO through *ex parte* reexamination and its lower standard of review. Defendant could then petition the court to stay the trial pending the outcome of the reexamination, and, if successful, would leave the plaintiff not knowing if the trial would ever continue.¹⁵⁷ And even if the district court declines to initially grant the stay, it can ultimately stay execution of a judgment *at the very end of the litigation*.¹⁵⁸ Having differing standards of review thus incentivizes undesirable gamesmanship because alleged infringers can decide to seek reexamination early on or delay completion of trial and obtain a second independent opinion by attempting to institute late reexaminations while reaping the benefit of this lower review standard.¹⁵⁹ Thus, a strong system would concentrate this decision in one body—the USPTO—providing a higher degree of certainty and less chance of parties being subject to disparate judgments.

C. *Scope of Review*

Balancing against the seemingly easier to meet standard of review in reexamination proceedings before the USPTO is a more limited scope of review compared to district court litigation. While district court litigation allows as a defense any condition for patentability that is not met, among others,¹⁶⁰ reexamination is limited to only substantial new questions of patentability and only on the basis of prior art.¹⁶¹ If an alleged infringer's best argument for invalidating does not fall within this scope, therefore, civil litigation is likely a better forum. In fact, if evidence of positive treatment at the USPTO is admitted into evidence in the district court trial, knowledge of that treatment might inadvertently convince judges and juries that the patent should be held valid, especially in light of perceived expertise of examiners,¹⁶² and, thus, alleged infringers in this situation might prefer to avoid reexamination altogether.

¹⁵⁷ See, e.g., Mercado, *The Use and Abuse of Patent Reexamination*, *supra* note 125, at 110 (reexamination can effectively end the litigation if the claims are cancelled).

¹⁵⁸ See *infra* Part III.A for a discussion of *Fresenius v. Baxter*, where this exact situation occurred.

¹⁵⁹ See, e.g., Mercado, *The Use and Abuse of Patent Reexamination*, *supra* note 125, at 110 (discussing cases where reexamination requests were made late in trial as a dilatory tactic).

¹⁶⁰ 35 U.S.C. § 282(b) (2012).

¹⁶¹ 35 U.S.C. § 302.

¹⁶² See, e.g., *Quad Envtl. Techs. Corp. v. Union Sanitary Dist.*, 946 F.2d 870, 876 (Fed. Cir. 1991) (“[C]ourts may take cognizance of, and benefit from, [reexamination] proceedings.”).

D. *Claim Construction Proceedings*

Another area where the USPTO and the district courts have differing procedures is when claims are construed. In fact, the courts explicitly acknowledge there is a large difference between the two constructions, with the Federal Circuit stating in one opinion that the PTAB is “required” to use a different standard than district courts when construing claims, and calling it “error” when they did not.¹⁶³ Under current jurisprudence, therefore, a *Markman* order—the outcome of a hearing where a judge decides the meaning of a claim—has no preclusive effect on the USPTO, with each body being free to interpret claims without regard to the other.¹⁶⁴

This difference can lead to undesirable situations for a patent owner. For example, in district court a patent owner could receive a favorable ruling that his patent is not invalid, with claims given a narrower interpretation, and simultaneously in a USPTO reexamination proceeding, claims could be given a broader interpretation, opening the door for a greater amount of prior art to be admitted.¹⁶⁵ In light of this additional prior art against the broadly interpreted claims, the USPTO could choose to invalidate the claim(s), leaving the patent owner to wonder whether this is even the same intellectual property right, since one body is construing the claims in terms that might be wholly inconsistent with the other.¹⁶⁶ Unfortunately for the patent owner, final judgment by the USPTO would lead to invalidation of the claims in the patent, and based on recent decisions, if *any portion* of the district court litigation is still pending—e.g., something as minor as a readjustment of damages after adjudication of all the issues—the entire litigation would be dismissed.¹⁶⁷

III. ILLUSTRATING THE PROBLEM

A. *Fresenius v. Baxter*

Because *Blonder-Tongue* was argued before reexamination procedures came into existence, it was decided against the backdrop of a

¹⁶³ *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1369 (Fed. Cir. 2004).

¹⁶⁴ *See In re Trans. Tex. Holdings Corp.*, 498 F.3d 1290, 1297 (Fed. Cir. 2007).

¹⁶⁵ *See* Robert Greene Sterne et al., *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 11 SEDONA CONF. J. 1, 27 (2010).

¹⁶⁶ *Id.*

¹⁶⁷ *See* discussion *infra* Part III.

markedly different landscape than exists today.¹⁶⁸ As a result, applying its holding to a situation with district court litigations running concurrent with USPTO reexaminations is difficult. The Federal Circuit's recent decision in *Fresenius USA, Inc. v. Baxter International, Inc.*¹⁶⁹ provides an excellent illustration of the ways in which already protracted patent litigation can be even further confused by parallel proceedings, and exemplifies why the primary jurisdiction doctrine should apply to patents undergoing ex parte reexaminations.¹⁷⁰ In *Fresenius*, litigation was pending from 2003 until 2013,¹⁷¹ with the district court repeatedly declining to stay the trial pending a reexamination despite multiple opportunities to do so.¹⁷² In the end, much of what had been litigated was superfluous because the claims were ultimately cancelled by the USPTO,¹⁷³ which is similar to the excessive litigation problem that the Supreme Court in *Blonder-Tongue* was trying to solve.¹⁷⁴

In *Fresenius*, Baxter owned the patents at issue (the '434 patent and others are less significant here).¹⁷⁵ In 2003, the initial action was filed in court, with Fresenius seeking a declaratory judgment of non-infringement and invalidity with respect to three of Baxter's patents.¹⁷⁶ Baxter countersued for infringement.¹⁷⁷ Following the district court's claim construction, Fresenius stipulated to infringement of the '434 patent's claims but maintained that they were invalid, and at trial received a jury decision that they were invalid.¹⁷⁸ In February 2007, however, Baxter's motion for judgment as a matter of law¹⁷⁹ was granted, with the district court finding insufficient evidence as a matter of law to support the jury's invalidity verdict.¹⁸⁰ In October of that same year, the district court proceeded to trial on damages, with Baxter winning a \$14.266 million verdict.¹⁸¹

¹⁶⁸ *Blonder-Tongue* was decided in 1971. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971). The ex parte reexamination statute was enacted in 1980. Bayh-Dole Act of 1980, Pub. L. No. 96-517, 94 Stat. 3015 (1980).

¹⁶⁹ 721 F.3d 1330 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 2295 (2014).

¹⁷⁰ See *infra* Part V for a discussion of how this would work.

¹⁷¹ *Fresenius*, 721 F.3d at 1332.

¹⁷² *Id.* at 1336.

¹⁷³ *Id.* at 1332.

¹⁷⁴ See *supra* INTRODUCTION.

¹⁷⁵ *Fresenius*, 721 F.3d at 1332. The complete history of the filings of the case is highly complex, but at minimum a brief layout of the most pertinent dates is helpful in understanding the issues.

¹⁷⁶ *Id.* at 1332.

¹⁷⁷ *Id.*

¹⁷⁸ *Id.*

¹⁷⁹ A judgment as a matter of law is a party's request that the court enter a judgment in its favor because there is no legally sufficient evidentiary basis on which the jury could find for the other party. BLACK'S LAW DICTIONARY 919 (9th ed. 2009).

¹⁸⁰ *Fresenius*, 721 F.3d at 1332–33.

¹⁸¹ *Id.* at 1333.

Prior to this, in 2005, Fresenius filed for an *ex parte* reexamination of relevant claims of the '434 patent, and in January 2006, the USPTO agreed that a substantial new question of patentability did exist.¹⁸² In December 2006, the examiner reached a nonfinal conclusion that the claims would have been obvious, almost a full year before the trial court proceeding on damages.¹⁸³ In December 2007, after the action for damages, the examiner finally concluded that the relevant claims should be rejected in light of newly presented art.¹⁸⁴

Back in the district court proceedings, on appeal to the Federal Circuit in September 2009, the court affirmed the judgment as a matter of law with respect to the '434 patent but reversed as to the other two patents at issue, finding those two invalid.¹⁸⁵ Because the court invalidated two patents, it remanded the case in part to reconsider the royalties owed in light of there being fewer infringed patents.¹⁸⁶ In March 2010, in the reexamination proceedings, the Board of Patent Appeals and Interferences (now known as the PTAB) affirmed the examiners finding of invalidity.¹⁸⁷ When the Board denied rehearing, that case was also appealed to the Federal Circuit.¹⁸⁸ In a decision dated May 17, 2012, the Federal Circuit affirmed the USPTO's finding of invalidity.¹⁸⁹

Just prior to that decision, however, the district court entered a new judgment for Baxter at a reduced rate on March 8, 2012, and a week later on March 16, entered final judgment for Baxter.¹⁹⁰ Both sides appealed, and on May 3, 2012, the district court granted Fresenius's motion to stay execution of the judgment pending the present appeal.¹⁹¹ On appeal, the Federal Circuit held that the claims were invalidated by the USPTO, and since there was no finality (at least according to the Federal Circuit) in any of the district court judgments, the district court's judgments were vacated and the case was remanded with orders to dismiss.¹⁹²

¹⁸² *Id.* at 1334.

¹⁸³ *Id.*

¹⁸⁴ *Id.* at 1334.

¹⁸⁵ *Id.* at 1333.

¹⁸⁶ *Id.*

¹⁸⁷ *Id.* at 1335.

¹⁸⁸ *Id.*

¹⁸⁹ *Id.* at 1336.

¹⁹⁰ *Id.* at 1333–34.

¹⁹¹ *Id.* at 1334.

¹⁹² *Id.* at 1347.

B. *What Went Wrong*

In a thirty-page dissent, Judge Newman made a passionate argument that this was a clear constitutional violation of separation of powers.¹⁹³ She reasoned that adjudications by the judicial branch bound all three branches of government, so denying the earlier Article III court's determination in this case would unacceptably render its opinion "advisory."¹⁹⁴ Despite her opinion, the majority reasoning appears to square with what the Supreme Court has held,¹⁹⁵ that the appellate courts must alter judgments that are not yet final when a change is made by an administrative agency acting pursuant to legislative authorization.¹⁹⁶ Most people would likely agree that the overall outcome in this case was correct—collecting damages on a patent that turns out to be invalid seems at odds with fundamental concepts of fairness—but there actually are situations where, exactly, this happens.¹⁹⁷ Here then, perhaps, the court wanted to avoid imposing damages based on an invalid patent, but in doing so turned a decade of litigation into a waste. There were several junctures along the way where the courts could have ended much of this dispute, including a stay of the trial, but the district court consistently denied that motion in large part because it was only mere speculation that the USPTO would ultimately cancel the claims.¹⁹⁸ The result, of course, was a ten-year litigation dismissed for lack of jurisdiction—an ultimately correct, but anticlimactic conclusion.

Problematically, *Fresenius* appears to make it easier for an accused infringer to get multiple opportunities at invalidating patents by further condoning the practice of parallel proceedings in district courts and the USPTO.¹⁹⁹ Furthermore, it allows a defendant the opportunity to wait until later in the litigation process prior to seeking reexamination while still reaping the benefit of an invalidity decision by the USPTO.²⁰⁰ This

¹⁹³ *Id.* at 1347 (Newman, J., dissenting).

¹⁹⁴ *Id.* at 1349.

¹⁹⁵ *Id.* at 1345 ("The general rule . . . [is] that an appellate court must apply the law in effect at the time it renders its decision." (alteration in original) (citing *Thorpe v. Hous. Auth. of City of Durham*, 393 U.S. 268, 281 (1969))).

¹⁹⁶ *Fresenius*, 721 F.3d at 1345 (general principle that appellate court must apply law in effect at the time it renders a decision applies equally to an administrative agency acting pursuant to legislative authorization).

¹⁹⁷ *Id.* at 1340 ("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 those moneys does not depend on the patent, but upon . . . the judgment of the court." (alterations in original) (quoting *Moffitt v. Garr*, 66 U.S. 273, 283 (1861))).

¹⁹⁸ *Fresenius*, 721 F.3d at 1335.

¹⁹⁹ *Id.* at 1335–36, 1347 (repeatedly declining to stay litigation pending reexamination until the very end of the trial).

²⁰⁰ *Id.* at 1334 (waiting until final judgment was entered and only then staying execution of that judgment pending the reexamination appeal).

allowance directly contradicts one of the factors that judges typically use in deciding whether to grant a stay of district court litigation when a reexamination is instituted—whether discovery is complete and whether a trial date has been set.²⁰¹ And, in fact, the district court in *Fresenius* expressly *declined* to stay the litigation pending the outcome of the reexamination in June 2007,²⁰² entered final judgment for Baxter in March 2012, and then subsequently stayed execution of the final judgment in May 2012 pending the outcome of the USPTO reexamination appeal.²⁰³ All of this stemmed from a lawsuit originally filed in 2003,²⁰⁴ an almost decade long fight to this point, which is unquestionably a timeframe that litigation stays strive to avoid.²⁰⁵

Additionally, while patentees are not subject to the same attacks based on the same prior art in the USPTO due to the “substantial new question of patentability requirement,”²⁰⁶ they could be subject to an obviousness attack based on prior art from other alleged infringers in district court.²⁰⁷ A final holding of invalidity in the district court decision would further be binding on the patentee in all other “non-final” lawsuits, so long as the patentee had a full and fair opportunity to litigate the patent’s validity.²⁰⁸ This set of facts begs for a solution that would avoid years of wasted time, money, and judicial resources as well as provide a measure of finality for the patentee, assuring there would be no disparate judgments from separate forums, potentially on the same issue of validity, and provide additional shielding from separate judgments on the same issue of validity from separate district courts.²⁰⁹

IV. INCOMPLETE SOLUTIONS

A. *Stays by the USPTO During Reexamination Generally Not Allowed*

Staying an *ex parte* reexamination pending the outcome of district court litigation is not appropriate, despite attempts to do so in the past.

²⁰¹ *Xerox Corp. v. 3Com Corp.*, 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999) (noting that how far trial has progressed is one of the three relevant factors).

²⁰² *Fresenius*, 721 F.3d at 1335 (“At various points in the district court infringement litigation, the district court declined to stay the litigation pending the PTO reexamination.”).

²⁰³ *Id.* at 1334.

²⁰⁴ *Id.* at 1332.

²⁰⁵ See, e.g., *Xerox Corp.*, 69 F. Supp. 2d at 406–07 (declining stay because case was almost ready for trial).

²⁰⁶ 35 U.S.C. § 303 (2012).

²⁰⁷ See Crouch, *supra* note 116.

²⁰⁸ See *supra* note 3.

²⁰⁹ The Supreme Court denied certiorari in *Fresenius*, ending any hope for further clarification on the issue in the immediate future. See *Baxter Int’l, Inc. v. Fresenius USA, Inc.*, 134 S. Ct. 2295 (2014).

In *Ethicon, Inc. v. Quigg*,²¹⁰ the Federal Circuit ruled that the Commissioner of the USPTO is without authority to stay reexamination proceedings pending the outcome of the case in another district court proceeding involving allegations that the same patent was invalid.²¹¹ This is because the Commissioner has only the authority that is granted by Congress, and the ability to grant stays would be in direct conflict with the order to conduct reexaminations with special dispatch.²¹² The Commissioner proffered four reasons in *Ethicon* for staying reexamination proceedings: (1) conducting a reexamination where a trial on validity has already begun is a waste of USPTO resources; (2) a court's decision is generally based on a more complete record because it includes live testimony and cross-examination; (3) a validity decision from the USPTO prior to a court's decision that has not stayed the litigation pending the USPTO determination may complicate the litigation; and (4) staying the reexamination will avoid the awkwardness that might result if the USPTO and the court reach different conclusions as to validity.²¹³

The Federal Circuit rejected all these arguments, despite their plausibility. For one thing, the court concluded that avoiding duplication of efforts by the USPTO and district courts was not actually a purpose of the statute and would not be read into it.²¹⁴ Further on this point, because the USPTO and district courts have differing standards of review, "precise duplication of effort *does not occur*."²¹⁵ This statement comes despite the reality that both forums can examine the identical issues at the same time. The court additionally relied on its *own* earlier precedent for the proposition that USPTO and district court proceedings reviewing the same claims under differing standards are "concepts not in conflict."²¹⁶ The court continued that suspension of reexamination actually can prevent simplification of litigation by cancellation of claims through reexamination,²¹⁷ or at least by preventing valuable analysis to the courts in making their own determinations.²¹⁸ Despite this forceful statement, it cannot be ignored that while suspending reexamination proceedings *can* prevent simplification, it can *also* prevent complication by deferring to one authority.

²¹⁰ 849 F.2d 1422 (Fed. Cir. 1988).

²¹¹ *Id.* at 1427.

²¹² *Id.*

²¹³ *Id.* at 1428.

²¹⁴ *Id.* at 1427.

²¹⁵ *Id.* (emphasis added).

²¹⁶ *Id.* (quoting *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985)).

²¹⁷ *Id.* at 1428.

²¹⁸ *Id.*

Allowing the Commissioner to suspend reexamination would not have satisfactorily solved the problems of parallel proceedings, but it would have been one step towards achieving the desirable goal of fewer forums addressing the same problems. With this decision, however, the courts have interpreted the statute to mean that the USPTO is generally without the authority to grant stays in *ex parte* reexaminations, and with this interpretation has removed one potential tool in avoiding duplicative efforts.²¹⁹

B. *Stays by District Courts Are Allowed but Subject to Discretion of the Judge*

District court judges, on the other hand, have inherent power and broad discretion to manage their own dockets and stay proceedings,²²⁰ including authority to stay court proceedings pending the conclusion of a USPTO reexamination.²²¹ Determining when and whether to grant a stay of a trial turns out to be extremely fact-bound and situation specific, as shown by the following factors courts typically consider: “(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.”²²² Because of the third factor,²²³ when the request to stay the trial is made early it is more likely to be granted.

Deciding whether to grant the stay when the request is not made early, however, leaves the court in an impossible situation where it is forced to predict the future without having enough knowledge in making its decision. For example, if a court decides to grant a stay pending the outcome of a reexamination and then the reexamination concludes that no substantial new question of patentability has been raised, then the trial will have necessarily been delayed, albeit not for very long.²²⁴ If the USPTO concludes that there is a substantial new question of patentability to be examined and proceeds with the reexamination but does not cancel or amend any claims, then the potential delay will be much longer.²²⁵ At the end of the reexamination,

²¹⁹ *Id.* at 1426–27.

²²⁰ *Id.* (citing *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936)).

²²¹ *Ethicon*, 842 F.2d at 1427 (citing *Gould v. Control Laser Corp.*, 705 F.2d 1340 (Fed. Cir. 1983)).

²²² *Xerox Corp. v. 3Com Corp.*, 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999).

²²³ *Id.*

²²⁴ 35 U.S.C. § 303 (2012) (the “substantial new question of patentability” determination is made within three months of the request).

²²⁵ *See, e.g., Pac. Biosci. Labs., Inc. v. Pretika Corp.*, 760 F. Supp. 2d 1061, 1065–66 (W.D. Wash. 2011) (recognizing the potential that patent claims might be confirmed in *ex parte*

however, if the USPTO determines the claims to be invalid and the time for appeal has passed or all appeals have been exhausted, then the case will necessarily have been simplified.²²⁶ In this situation, there is no longer a cause of action, and the defendant who raised the issue will have saved all parties involved a likely expensive and long litigation in district court.²²⁷ There is no way of actually knowing the outcome beforehand, however, and any decisions based on these factors will necessarily involve a great deal of speculation. This is only an example of one simplified situation, and one can imagine much more complex fact patterns,²²⁸ but the lesson here is that discretionary stays by district courts, without more guidance, are an incomplete solution subject to the discretion of the individual judge. What is needed instead is a much larger change²²⁹ where the authority to review patents' validity based on prior art is vested solely in the USPTO.²³⁰

reexamination, giving the defendant a "second bite of the apple" in court to invalidate them, but granting stay regardless); *JAB Distribs., LLC v. London Luxury, LLC*, No. 09 C 5831, 2010 WL 3023163, at *1 (N.D. Ill. June 29, 2010) (lifting stay after USPTO determined all claims to be patentable after concluding ex parte reexamination).

²²⁶ *Pac. Biosci. Labs.*, 760 F. Supp. 2d at 1064–65 (recognizing that allowing case to proceed while reexamination occurred created substantial risk that parties would needlessly expend valuable resources determining validity of claims ultimately cancelled by the USPTO).

²²⁷ *Id.*

²²⁸ See, e.g., *supra* Part III.A.

²²⁹ There was a recent and very significant change to the Patent Act that addresses some of the issues raised in this Note, but fails to solve them. In September 2011, the Leahy-Smith America Invents Act was signed into law. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). While only minimal changes were made to ex parte reexaminations, significant changes were made to inter partes reexaminations, which are now referred to as inter partes review. See H.R. REP. NO. 112-98, 112th Cong., 1st Sess. 46–47 (2011) ("The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.'"). As noted in the House Report, the system is now an adjudicative one instead of an examinational one, and allows for more trial-like procedures, including limited discovery and the right to an oral hearing. *Id.*; see also 35 U.S.C. § 316 (2012). Additionally, the petitioner who wishes to institute the inter partes review cannot do so if he has already filed a civil action challenging the patent's validity. 35 U.S.C. § 315(a)(1). The statute also mandates an automatic stay of civil litigation filed after institution of an inter partes review, which can be lifted in certain circumstances. *Id.* § 315(a)(2). Notably, however, it has no estoppel effect on non-parties to the litigation, which is one of the major problems with ex parte reexaminations already discussed throughout this Note. *Id.* § 315(e). Furthermore, it maintains ex parte reexamination as a viable option for alleged infringers. *Id.* § 302. While an extensive discussion of the new statute is beyond the scope of this Note, it appears that this new procedure will not solve the problems addressed here.

²³⁰ See *infra* Part V.

V. PROPOSAL

A. *Primary Jurisdiction Doctrine*

The primary jurisdiction doctrine is concerned with promoting proper relationships between courts and administrative agencies that have been given particular regulatory duties,²³¹ but has not been invoked for patents undergoing ex parte reexaminations and civil litigation,²³² despite being well suited for it. The doctrine can be invoked where a claim is originally cognizable by the courts, but the claim requires the resolution of issues which have been placed within the special competence of an administrative body.²³³ It is a highly flexible doctrine, as the Supreme Court has stressed that there is no “fixed formula” for applying it.²³⁴

The doctrine has its roots in the 1907 Supreme Court case of *Texas & Pacific Railway Co. v. Abilene Cotton Oil Co.*²³⁵ In that case, the Supreme Court addressed an oil company’s claim that it was charged an unreasonable rate by holding that the action did not lie, because the Interstate Commerce Commission (ICC) alone was responsible for setting rates.²³⁶ In so holding, the Court reasoned that allowing the power to hear complaints on the subject to exist in both the courts and the Commission might lead to conflicting results.²³⁷ In this seminal case, the Court emphasized a desirable uniformity that could be accomplished by first having a specialized agency answer certain administrative questions.²³⁸ Later cases then stressed the importance of the expert and specialized knowledge of the agencies.²³⁹ The force of the doctrine thus lies in transferring from a court to an agency the power to determine some lawmaking power over commercial relations.²⁴⁰

Procedurally, applying the doctrine can be straightforward. When a court decides that the issue before it is within the special competence of

²³¹ *United States v. W. Pac. R.R. Co.*, 352 U.S. 59, 63 (1956).

²³² For a proposal advocating the application of the primary jurisdiction doctrine to matters of claim construction, see John F. Duffy, *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*, 2 WASH. U. J.L. & POL’Y 109 (2000).

²³³ *W. Pac. R.R. Co.*, 352 U.S. at 64.

²³⁴ *Id.*

²³⁵ 204 U.S. 426 (1907); see also Louis L. Jaffe, *Primary Jurisdiction*, 77 HARV. L. REV. 1037, 1042 (1964) (calling *Texas & Pac. Ry. v. Abilene Cotton Oil Co.*, 204 U.S. 426 (1907), a “germinal decision”).

²³⁶ *Abilene Cotton Oil*, 204 U.S. at 448.

²³⁷ *Id.* at 441.

²³⁸ *W. Pac. R.R. Co.*, 352 U.S. at 64.

²³⁹ *Id.*; see also *Reiter v. Cooper*, 507 U.S. 258, 268 (1993) (noting primary jurisdiction “is a doctrine specifically applicable to claims properly cognizable in court that contain some issue within the special competence of an administrative agency”).

²⁴⁰ *W. Pac. R.R. Co.*, 352 U.S. at 64.

an agency, it refers it to that agency, staying further proceedings to give the parties a reasonable opportunity to seek an administrative ruling.²⁴¹ The referral does not ordinarily deprive the court of jurisdiction, rather it retains discretion to retain jurisdiction or dismiss the case without prejudice if the parties would not be unfairly disadvantaged.²⁴²

The primary jurisdiction doctrine normally applies to agencies that are accorded authority to speak with the force of law on statutory interpretation and trump judicial decisions.²⁴³ Courts have yet to afford the USPTO's statutory interpretations this type of authority.²⁴⁴ The doctrine's high flexibility, however, should permit its application to USPTO determinations on patent validity. The USPTO's validity decisions resulting from reexaminations arguably meet or exceed the goals and factors for application of the primary jurisdiction doctrine,²⁴⁵ and its lack of *Chevron* deference²⁴⁶ should not stand in the way. Further, at least one legal commentator has made the argument that given the new proceedings allowed by the AIA, it is now time that the USPTO is accorded *Chevron* deference.²⁴⁷

B. *Applying the Primary Jurisdiction Doctrine to Patent Litigation Proceedings*

Reexamination procedures are still useful and not simply vestiges of an outdated system. However, in light of their continued existence, the courts and the USPTO must be open to significant procedural changes. Invoking the primary jurisdiction doctrine²⁴⁸ is exactly the procedural change required to fix problems caused by concurrent ex parte reexamination and civil litigation proceedings. While the recently enacted America Invents Act was the most sweeping change to patent

²⁴¹ *Reiter*, 507 U.S. at 268 (1993).

²⁴² *Id.* at 268–69.

²⁴³ See *Nat'l Cable & Telecomms. Ass'n v. Brand X Internet Servs.*, 545 U.S. 967, 982 (2005) (noting that a court's prior judicial interpretation trumps agency construction only when prior court's construction followed from unambiguous terms of statute that left no room for agency discretion, a principle that follows from *Chevron*).

²⁴⁴ Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1971 (2012).

²⁴⁵ See *infra* Part V.B.

²⁴⁶ See *Brand X*, 545 U.S. at 982 (*Chevron* “established a presumption that Congress, when it left ambiguity in a statute meant for implementation by an agency, understood that the ambiguity would be resolved, first and foremost, by the agency, and desired the agency (rather than the courts) to possess whatever degree of discretion the ambiguity allows”).

²⁴⁷ See Wasserman, *supra* note 244.

²⁴⁸ See *supra* Part V.A.

system in more than fifty years,²⁴⁹ and this would be another large change, it does not follow that the system is no longer amenable to any modifications.

Applying the primary jurisdiction doctrine in its basic form to patent reexaminations is a logical move based on its purpose.²⁵⁰ The main issues it is directed towards—desirable uniformity of judgments²⁵¹ and the benefit of the specialized knowledge of the agency²⁵²—are both squarely met by vesting sole judgment in the USPTO. The problem here is that district courts must give it more than simply discretionary application in the context of patent reexaminations for it to have force. Presently, judges already have within their discretion the authority to stay trials pending the results of reexaminations.²⁵³ What is required, then, is a wholesale adoption of the doctrine, ideally by the Federal Circuit, the Supreme Court, or even by congressional action, that in cases of patent litigations where validity is challenged on the basis of prior art, the doctrine will require mandatory application to enable the USPTO to determine the issues.

Giving the doctrine mandatory application in such a situation would have vast benefits and solve the issues with concurrent USPTO reexaminations and district court litigations raised in this Note, such as subjecting patentees to disparate judgments²⁵⁴ and promoting gamesmanship including undesirable dilatory tactics.²⁵⁵ For example, in a scenario where a defendant is accused of patent infringement, the court would have to initially determine if there is an affirmative invalidity defense to be raised on the basis of prior art. If the answer were yes, the court would then be mandated to invoke the primary jurisdiction doctrine by requiring the defendant to file an *ex parte* reexamination with the USPTO. At this juncture, the USPTO would take jurisdiction of the validity issue and, given that there is a stayed litigation, the USPTO's actions will be "expedited to the extent possible."²⁵⁶ If the USPTO determines that no new substantial question of patentability has been raised, that determination would be binding on the parties in court and invalidity on the basis of prior art would not be argued at trial.

²⁴⁹ Eilene Zimmerman, *Business Owners Adjusting to Overhaul Of Patent System*, N.Y. TIMES, Feb. 8, 2012, <http://www.nytimes.com/2012/02/09/business/smallbusiness/business-owners-adjusting-to-patent-system-overhaul.html>.

²⁵⁰ See *supra* Part V.A.

²⁵¹ See *supra* note 238.

²⁵² See *supra* note 239.

²⁵³ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (citing *Gould v. Control Laser Corp.*, 705 F.2d 1340 (Fed. Cir. 1983)); see also discussion *supra* Part III.B.

²⁵⁴ See, e.g., *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (noting that the two forums can correctly come to opposite results).

²⁵⁵ See Mercado, *supra* note 159, at 108–10.

²⁵⁶ MPEP, *supra* note 51, § 2286.

Mandatory application of the primary jurisdiction doctrine in this scenario has the added benefit that any future litigation in any district court, all subject to this doctrine, would not involve litigation of this issue on the basis of this or similar art, because authority to resolve this would always be transferred to the USPTO. Because the USPTO would have already decided this issue in the first reexamination, it is less likely that the USPTO would find a substantial new question of patentability based on this or similar art when it comes up again.²⁵⁷ Thus, anytime a defendant attempted to raise this defense, it would need to at least be on the basis of different art and/or a different argument that the USPTO has not heard before. Mandatory application of the doctrine would also curtail forum shopping²⁵⁸ while providing patentees a higher degree of certainty that at least on the basis of already raised prior art, the patent is safe from being invalidated.²⁵⁹

If the USPTO did find a substantial new question of patentability, then the USPTO would conduct the examination, again acting in an “expedited” manner. While this scenario has the potential to lengthen the trial if the patentability is affirmed in light of the prior art—depending on how much time was spent reexamining it in the USPTO versus how much time was saved by not litigating the issue in court—it still has the benefit of lessening additional future litigation on this issue. Thus, the primary drawback is the potentiality for one lengthened trial, while the primary benefit would be true finality on the validity issue at least on the basis of the prior art initially presented at trial and then sent to the USPTO for reexamination. The benefit would extend to anything that is substantially similar prior art, because such art would not raise any “substantial new question of patentability.”²⁶⁰

The precedent for mandating primary jurisdiction does exist. For example, in *Ellis v. Tribune Television Co.*,²⁶¹ the Court of Appeals for the Second Circuit heard a case involving a violation of a Federal Communications Commission (FCC) cross-ownership rule,²⁶² which the court deemed a highly complicated factual and policy dispute that the FCC was “uniquely well-situated” to handle.²⁶³ Despite the FCC’s specialized knowledge, the district court failed to refer the matter to them,²⁶⁴ causing the Second Circuit to conclude that the district court

²⁵⁷ See 35 U.S.C. § 303 (2012).

²⁵⁸ See Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 903 (2001) (noting that empirical data shows that most patent cases are brought in only a handful of jurisdictions).

²⁵⁹ See 35 U.S.C. § 303 (requiring “substantial *new* question of patentability” (emphasis added)).

²⁶⁰ *Id.*

²⁶¹ 443 F.3d 71 (2d Cir. 2006).

²⁶² *Id.* at 73.

²⁶³ *Id.* at 90.

²⁶⁴ *Id.* at 93.

“erred” in failing to recognize the FCC’s primary jurisdiction over the matter.²⁶⁵ The court effectively decided that mandatory application of the primary jurisdiction doctrine was warranted in this situation.²⁶⁶ If the Federal Circuit or the Supreme Court was convinced by similar arguments that a lower court erred by not invoking the primary jurisdiction doctrine when a patent being litigated before it has its validity challenged on the basis of prior art publications, it would effectively adopt a mandatory primary jurisdiction scheme as well.

In reaching this outcome, the Second Circuit articulated four factors that echo the primary jurisdiction doctrine:

- (1) whether the question at issue is within the conventional experience of judges or whether it involves technical or policy considerations within the agency’s particular field of expertise;
- (2) whether the question at issue is particularly within the agency’s discretion;
- (3) whether there exists a substantial danger of inconsistent rulings; and
- (4) whether a prior application to the agency has been made.²⁶⁷

Patents that have their validity challenged in district court on the basis of prior art publications satisfy all four of these factors in favor of granting primary jurisdiction to the USPTO. Regarding factor one, Justice White’s recognition in *Blonder-Tongue* of the frank judicial uncertainty in complex patent cases presented to courts demonstrates that the issue is not within the conventional experience of judges.²⁶⁸ Coupled with the USPTO’s requirement that its examiners have an appropriate grounding in science while also being where “the most expert opinions exist” further demonstrates that at least the technical considerations are within the USPTO’s special expertise.²⁶⁹ Regarding factor two, given that the USPTO is originally assigned the task of determining patentability, the issue is within their particular discretion.²⁷⁰ Regarding factor three, the Federal Circuit has explicitly acknowledged the substantial danger of inconsistent rulings, even going so far as stating the USPTO and the courts “could quite correctly come to different conclusions.”²⁷¹ Finally, regarding factor four, the patent application to the USPTO qualifies as a “prior application” and will

²⁶⁵ *Id.* at 92.

²⁶⁶ The court cautioned, however, that they were not suggesting mandatory primary jurisdiction “whenever the jurisdictions of a court and agency overlap.” *Id.* at 91. Here, the facts dictated that it was appropriate.

²⁶⁷ *Id.* at 82–83.

²⁶⁸ See *supra* Part I.B; see also *supra* note 73 and accompanying text.

²⁶⁹ See H.R. REP. NO. 96-1307 (1980); *Patent Examiner Positions*, *supra* note 36 (noting that patent examiners must have technical degrees).

²⁷⁰ See 35 U.S.C. § 2(a)(1) (2012) (“[The USPTO] shall be responsible for the granting and issuing of patents.”).

²⁷¹ *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008).

necessarily have been made prior to any dispute over the issued patent, because you cannot have a patent dispute without a patent. Taking these factors together, ruling on patent validity based on prior art publications deserves the same treatment that the Second Circuit gave to the issue in *Ellis*; namely, that courts must give primary jurisdiction to the USPTO on issues concerning patent validity on the basis of prior art publications.

Opponents of such a plan would likely object that it violates constitutional principles of separation of powers, echoing in part Judge Newman in her dissent in *Fresenius*.²⁷² Here, however, there is only a weak argument because while “Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch,”²⁷³ if primary jurisdiction were invoked then there would be no decision of an Article III court to review. Rather, there would only be the decision of the USPTO to review, which ultimately is subject to the jurisdiction of the Federal Circuit anyway.²⁷⁴ Opponents might further argue that vesting this authority solely within the USPTO is a constitutional violation of due process.²⁷⁵ Although some patent cases have held that not all disputes are deserving of a jury trial, they have at least held that the court can hear them.²⁷⁶ This argument, however, lacks merit because Congress has already vested the USPTO with the authority to conduct reexaminations that can have the effect of mooted any litigation based on the patent. Further, Article III courts would not be transferring their authority to hear the dispute between the two parties. Rather, they would be transferring their authority to decide an issue that is originally entirely within the discretion of the USPTO anyway. If a patent were upheld after reexamination, then the remainder of the dispute would continue in the Article III court, but without relitigating the issue of validity in the context of what the USPTO has already decided. This is a desirable outcome because it creates greater certainty for the future of the patent, mandates that greater expertise will review the patent, and eliminates wasted litigation on an invalid patent.

²⁷² *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013) (Newman, J., dissenting).

²⁷³ *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 218 (1995).

²⁷⁴ See 35 U.S.C. § 141(b).

²⁷⁵ *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 329 (1971) (“Due process prohibits estopping . . . [litigants who did not appear in a prior action from litigating an issue] despite one or more existing adjudications of the identical issue which stand squarely against their position.”).

²⁷⁶ See, e.g., *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970–71 (Fed. Cir. 1995) (“[I]nterpretation and construction of patent claims, which define the scope of the patentee’s rights under the patent, is a matter of law exclusively for the court.”), *aff’d*, 517 U.S. 370 (1996).

CONCLUSION

The patent system has changed dramatically since both the decision in *Blonder-Tongue* and the enactment of the reexamination statute. The differences between civil proceedings and reexamination proceedings have unfortunately enabled greater gamesmanship and other dilatory tactics to creep into the already expensive and difficult patent litigation process. In order to put an end to this issue, the primary jurisdiction doctrine must be mandated in all district court litigation concerning the validity of patents on the basis of prior art. In this way, the problem of parallel proceedings could be at least partially solved and we would be one step closer to a more unified system.