It Ain't Over 'Til the Federal Circuit Sings After Reexamination

The Federal Circuit's decision in *In re Swanson*, 540 F.3d 1368 (Fed. Cir. September 4, 2008) illustrates that patent validity determinations cannot be deemed to be "final" until after a Federal Circuit decision on the merits from a reexamination appeal. In *Swanson*, the Federal Circuit affirmed a reexamination finding that claims were anticipated and obvious in light of a prior art reference considered in the initial examination, and despite the Federal Circuit's holding in an earlier infringement case that the same claims were valid over the same prior art. The result of this case, combined with the Supreme Court's decision in *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (April 30, 2007), will likely lead to a tsunami of reexamination requests filed with the U.S. Patent Office by accused infringers. *Swanson* may also lead to an increase in district court stays of infringement cases pending the outcome of reexamination proceedings – why should a court decide whether a patent is invalid based on prior art printed publications when the reexamination proceeding will be the final word?

Initial Examination

In *Swanson*, the patent at issue (U.S. Patent No. 5,073,484, "the '484 patent") disclosed a method of quantitatively analyzing small amounts of biological fluids. Like the patent at issue, a prior art reference (Deutsch) also disclosed a method of detecting ligand-antiligand binding pairs to determine the presence of a ligand (the analyte) in a biological fluid sample.

During the initial examination of the application that led to the '484 patent, claims were initially rejected as being obvious based on a combination of references, including a combination that cited Deutsch as a secondary reference. The claims were amended, and on December 17, 1991, the '484 patent was granted. The '484 patent was subsequently assigned to Surmodics, Inc., who exclusively licensed the patent to Abbott Laboratories.

Prior Litigation

In 1998, Abbott sued Syntron for infringement of the '484 patent. Syntron counterclaimed that the '484 patent was invalid, claiming that certain claims of the '484 patent were invalid in light of Deutsch. In 2001, the jury returned a special verdict finding that the asserted claims were not infringed and that Syntron had failed to prove by clear and convincing evidence that the claims were anticipated, obvious, or otherwise invalid, and the district court entered judgment accordingly.

1st Federal Circuit Holding - Valid Over the Deutsch Prior Art

The Federal Circuit affirmed-in-part and remanded-in-part the judgment of noninfringement, and affirmed the judgment of validity on all asserted claims of the '484 patent. *Abbott Labs. V. Syntron Bioresearch, Inc.*, 334 F.3d 1343 (Fed. Cir. 2003). The Federal Circuit sustained the judgment that Deutsch did not anticipate or render obvious the asserted claims, noting that it "cannot conclude that the jury verdict on anticipation was not supported by substantial evidence." The Federal Circuit explained that the only issue raised regarding anticipation in the infringement case was whether Deutsch teaches "flowing said solution along the medium" as claimed in the '484 patent. The Federal Circuit held that since Syntron did not urge a particular claim construction of this phrase, it waived the right to do so on appeal. The Federal Circuit agreed with Abbott that the jury could have reasonably interpreted the phrase as requiring the solution itself to provide the required flow (unlike Deutsch, which taught a "developing fluid" in addition to the sample solution to cause the solution to flow).

Reexamination

Following the appeal in the infringement suit, Syntron filed a request for *ex parte* reexamination of the '484 patent, and the PTO granted the request. The examiner rejected certain claims as anticipated by Deutsch, and another claim as obvious in light of Deutsch and a secondary reference (Tom).

The Board affirmed the examiner's rejections. The Board found that Deutsch raised a substantial new question of patentability, despite having been cited in the initial examination, because Deutsch was not cited in regard to the presently rejected claims and it was not relied upon for the same reason the examiner now relied upon it. The Board also dismissed the patentee's argument that Deutsch could not raise a substantial new question of patentability because a jury had affirmed a finding of validity over the reference and the Federal Circuit had affirmed in the earlier infringement case.

2nd Federal Circuit Holding - Invalid Over Deutsch Prior Art

In the appeal from the Board, the Federal Circuit held that Congress did not intend a prior court judgment upholding

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the validity of a claim to prevent the PTO from finding a substantial new question of validity regarding an issue that has never been considered by the PTO. To hold otherwise, the Federal Circuit reasoned, would allow a litigant's failure to overcome the statutory presumption of validity to thwart Congress' purpose of allowing for a reexamination procedure to correct examiner errors, without which the presumption of validity never would have arisen.

As noted by the Federal Circuit, "substantial new question of patentability" refers to a question which has never been considered by the PTO; thus, a substantial new question can exist even if a federal court previously considered the question."

Similarly, the Federal Circuit upheld the rejection based on Deutsch, including the obviousness rejection, even though Deutsch was cited in the original prosecution of the '484 patent. The Federal Circuit stated that to decide whether a reference that was previously considered by the PTO creates a substantial new question of patentability, the PTO should evaluate the context in which the reference was previously considered and the scope of the prior consideration and determine whether the reference is now being considered for a substantially different purpose. The Federal Circuit held that substantial evidence supported the Board's conclusion that in the initial examination, "Deutsch was relied upon, as a secondary reference," for the limited purpose of "teaching immunoreactions in general, and not for the specific method steps claimed."

Since the patentee's only argument for why the Board erred in affirming the rejection of claims as anticipated by Deutsch was the alleged lack of a substantial new question of patentability, the Federal Circuit held that any arguments as to the merits of the Board's rejection were waived. The Federal Circuit also affirmed the obviousness rejection of a claim in view of Deutsch and Tom. The patentee did not argue the obviousness issue separately from anticipation, and the Federal Circuit held that any argument for why the obviousness rejection should be reversed had also been waived.

Conclusions

Swanson illustrates that a PTO finding of invalidity on reexamination can be upheld, even though the prior art reference was considered in the initial examination, and despite the Federal Circuit's holding in an earlier infringement case that the same claims were valid over the same prior art, if that prior art raises a substantial new question of patentability.

In view of *Swanson*, accused infringers are more likely to file a reexamination request, even when based on printed publications previously considered in initial examination. Since reexamination is the "final" word on validity in view of printed publication prior art, a district court may be more willing to stay litigation pending the reexamination. A patentee can best combat a stay of litigation with a showing of a likelihood of success on the merits, irreparable harm due to infringement, and that the defendant's actions are dilatory.

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Banner & Witcoff Breaks the 2007 Design Patent Procurement Record

On September 23, 2008, Banner & Witcoff surpassed last year's record for prosecuting the most design patents to issuance by a law firm in a calendar year.

The record breaking 745th patent is U.S. Patent No D577,472. It was procured on behalf of firm client, Electrolux and it corresponds to its Front Load Washer & Dryer with Wave-Touch™ Controls.

Banner & Witcoff continues to procure design patents in record numbers and hopes to achieve most design patents procured by a law firm in a calendar year for the third year in a row.

Banner & Witcoff would like to thank its design-driven clients who entrust us with the responsibility of procuring design patent protection on their behalf.