**(In)valid Patents**

Paul R. Gugliuzza[[1]](#footnote-1)\*

*Increasingly, accused infringers challenge the validity of a patent in two different forums: in litigation in federal district court and in post-issuance review at the Patent and Trademark Office (PTO). These duplicate proceedings to determine patent validity have produced controversial and seemingly inconsistent results. In one recent case, the Federal Circuit held an infringer liable for nearly $400 million in damages even though the PTO had ruled that the infringed patent was invalid. In another case, an infringer sought PTO review only after an unfavorable summary judgment decision, yet the Federal Circuit held that the PTO’s eventual ruling of invalidity trumped the district court’s damages award.*

*These outcomes are dictated by the Federal Circuit’s pronouncement that, in parallel proceedings between the courts and the PTO, the first forum to reach an absolute, irrevocable conclusion takes precedence. This “absolute finality” rule raises serious questions of judicial economy, fairness, and separation of powers. Among other things, it allows accused infringers multiple opportunities to defeat liability, permits an administrative agency to effectively nullify decisions of Article III courts, and incentivizes courts to abstain from hearing patent cases altogether, at least until the PTO reconsiders the patent’s validity.*

*That said, some inefficiency or unfairness is inevitable when two different government bodies can evaluate the validity of the same patent, and the absolute finality rule, if nothing else, provides a relatively bright-line test. But it is not the only way to mediate conflicts between the courts and the PTO. This article, in addition to identifying, describing, and critiquing the absolute finality rule, explores several other options for providing greater certainty about patent validity.*

Table of Contents

Introduction 2

I. Parallel Systems of Patent Adjudication 8

A. Litigation and Post-Issuance Review 8

B. The Relationship Between the Parallel Systems 17

II. Conflicting Decisions in Concurrent Proceedings 23

A. Foreshadowing the Absolute Finality Rule 23

B. The Absolute Finality Rule 25

*1. Creation* 26

*2. Consequences* 29

*3. Extension* 32

C. How Final Is Final? 35

III. Rethinking the Absolute Finality Rule 39

A. Separation of Powers 39

B. Doctrinal Reassessment 41

*1. The Basis of the Absolute Finality Rule* 41

*2. Issue Preclusion Finality* 45

*3. Law of the Case* 48

C. Fairness 50

D. Litigation Efficiency 53

E. Absolute Finality Versus the Alternatives 55

IV. The Future of Absolute Finality 56

A. Court-PTO Conflicts After the America Invents Act 57

B. Legislative Solutions 59

Conclusion 64

Introduction

In 1935, the physicist Erwin Schrödinger illustrated a paradox in quantum theory with a thought experiment.[[2]](#footnote-2) Imagine, Schrödinger suggested, a closed box containing radioactive material, poison in a glass bottle, and a live cat. If an atom of the radioactive material decays while the cat is in the box, a mechanism breaks the bottle, releasing the poison and killing the cat. In our everyday world, the cat, while in the box, exists in one of two states: it is either alive or dead, depending on whether or not atomic decay has occurred. According to quantum theory, however, one cannot know for certain whether decay has occurred without observing it. Thus, until the box is opened, the cat seems to exist in an indeterminate state, both alive and dead. Yet, in reality, it must be one or the other.

Like Schrödinger’s cat, some U.S. patents seem to exist in an indeterminate state because of conflicting decisions about their validity. The Patent and Trademark Office may issue a patent only if, in its view, the patent satisfies the requirements of the federal Patent Act.[[3]](#footnote-3) In a subsequent lawsuit involving that patent, however, a court can declare the patent to be invalid, which happens in nearly half of all patent cases litigated to a final judgment on the issue of validity.[[4]](#footnote-4) When a court finds a patent to be invalid, there is no indeterminacy about the patent’s legal status. The Supreme Court has held that a court ruling of invalidity precludes the patent holder from ever again enforcing the patent.[[5]](#footnote-5)

Litigation, however, is not the only way the validity of an issued patent can be reviewed. The PTO offers several proceedings through which an accused infringer can ask the agency to reconsider a patent’s validity. These post-issuance proceedings have become very popular in the past few years, due largely to the America Invents Act, which Congress passed in 2011.[[6]](#footnote-6) Consequently, in several recent cases, a court has ruled in the patent holder’s favor on the issue of validity, found the patent to be infringed, and awarded damages, but the PTO, in a concurrent proceeding, ruled the patent to be invalid. Like Schrödinger’s cat, which seemed to be both alive and dead, these patents appear to be both valid (according to the court) and invalid (according to the PTO).

Resolving the legal status of these patents is critically important. Most patents in post-issuance review at the PTO are also involved in litigation between the same parties.[[7]](#footnote-7) Courts often stay litigation pending PTO review, but a stay is not automatic.[[8]](#footnote-8) And the PTO is not allowed to stay its proceedings—it must move forward with post-issuance review regardless of any pending litigation.[[9]](#footnote-9) In fact, conflicting court and PTO decisions are at the heart of the most high-profile patent dispute pending today: the long-running battle between smartphone behemoths Apple and Samsung. A court has awarded Apple $548 million in damages for patent infringement, but, in proceedings concurrent with the litigation, the PTO ruled that one of Apple’s infringed patents is invalid, so the parties are vigorously litigating whether Apple can collect on its half-billion-dollar judgment.[[10]](#footnote-10)

Parallel proceedings and conflicting decisions, such as those that occurred in the Apple-Samsung case, are increasingly common.[[11]](#footnote-11) Before 2013, however, there were precisely zero precedential appellate opinions considering how the PTO’s invalidation of a patent affects concurrent infringement litigation. But in the past two years, the U.S. Court of Appeals for the Federal Circuit, which has exclusive jurisdiction over patent appeals,[[12]](#footnote-12) has decided several cases presenting that issue. In two decisions, the Federal Circuit nullified district court awards of infringement damages to patent holders because the PTO invalidated the patent before the court proceedings concluded.[[13]](#footnote-13) Yet, in both cases, the issues of patent validity and infringement had been fully litigated in court and definitively resolved in the patent holder’s favor; at the time the PTO invalidated the patent, the only issues that remained in the court cases related to the patent holders’ remedies, such as determining the precise scope of an injunction. The Federal Circuit ruled, in essence, that court proceedings must be absolutely and irrevocably “final” for the court’s ruling survive the PTO’s subsequent invalidation of the asserted patent.

On first glance, this “absolute finality” rule may seem problematic. As a doctrinal matter, it is inconsistent with the flexible and pragmatic definition of “finality” found in the law of issue preclusion, which generally considers a judgment on liability to be entitled to preclusive effect even if the court has not yet determined the remedy. As a structural matter, the absolute finality rule raises separation of powers concerns because it appears to allow the PTO to override decisions of Article III courts. As a practical matter, it deters settlement and encourages losing parties to prolong litigation while seeking a favorable decision from the PTO. And, perhaps most simply, it seems unfair and inefficient to allow accused infringers multiple opportunities to defeat liability.

Yet the absolute finality rule has some redeeming qualities. For example, by giving precedence to the PTO’s decision, the rule permits a supposedly expert agency, rather than a court, to make the final decision on patent validity. Moreover, the rule protects accused infringers from paying damages for infringing a patent the PTO has determined it never should have issued. The Federal Circuit, however, undermined those potential benefits of the absolute finality rule in another recent decision. In that case, the Federal Circuit *upheld* a damage award of nearly $400 million even though the PTO had ruled that the infringed patent was invalid.[[14]](#footnote-14) The court did not offer any reasoning in its opinion, but the rationale seems to be that the court decision took precedence because the Federal Circuit had not yet reviewed the PTO’s invalidity ruling, so the PTO proceedings were not sufficiently final to trump the court’s damage award.

To be sure, it is not an easy task for the Federal Circuit to balance the authority of two different government bodies that possess independent power to invalidate the same patent. Yet the Federal Circuit has not even acknowledged the numerous difficult questions raised by inconsistent court and PTO decisions in concurrent proceedings, instead claiming that binding precedent mandates the absolute finality rule. The cases on which the Federal Circuit has relied, however, do not squarely address the matter at hand.[[15]](#footnote-15) For example, the Federal Circuit has analogized to cases holding that one court’s decision of patent invalidity requires dismissal of a claim for infringement of the same patent that is pending in another court.[[16]](#footnote-16) But those cases involve the doctrine of issue preclusion as between two courts; they do not answer the question of how a *PTO* decision of invalidity affects court proceedings. In fact, a key element of issue preclusion is not satisfied in parallel court and PTO proceedings because the two bodies use different legal standards to determine patent validity. Most significantly, in court, the accused infringer bears the burden of proving invalidity by clear and convincing evidence,[[17]](#footnote-17) but at the PTO the standard of proof is merely a preponderance of the evidence.[[18]](#footnote-18)

This article critiques the Federal Circuit’s absolute finality rule from a doctrinal perspective and engages the normative questions the Federal Circuit has ignored. In so doing, the article contributes to a nascent literature exploring the interplay between district court litigation and the increasingly popular post-issuance review mechanisms at the PTO.[[19]](#footnote-19) Doctrinally, the Federal Circuit should resolve conflicts between the courts and the PTO by looking to law-of-the-case principles. Unlike the precedent on which the court has relied, law of the case addresses the precise question of whether an intervening event, such as the PTO’s invalidation of a patent, warrants altering a prior court ruling in the same case.[[20]](#footnote-20) Law of the case mandates that a decision on a particular issue must be followed in all subsequent proceedings in the same case unless, among other things, the decision was clearly erroneous and continued adherence would be a manifest injustice.[[21]](#footnote-21) If the Federal Circuit viewed conflicts between the courts and the PTO under this flexible standard, instead of the rigid absolute finality rule, the court would be forced to engage the underlying concerns about judicial economy, fairness, and constitutional structure it has thus far avoided.

An analysis of those concerns cuts both ways. On one hand, it seems unfair and inefficient to give someone who a court has held to infringe a patent a second chance to avoid liability, as is possible under the absolute finality rule. Moreover, the absolute finality rule is in clear tension with Supreme Court case law on separation of powers, which forbids administrative agencies from altering definitive court decisions.[[22]](#footnote-22) On the other hand, it seems wrong to allow a patent holder to collect damages for the infringement of a now-invalidated patent. Indeed, those who think that the PTO does a poor job examining patents[[23]](#footnote-23) might have no problem with allowing patent challengers two chances to invalidate a single patent.

Even under a flexible, policy-sensitive law of the case analysis, then, there may be no perfect solution to the problem of inconsistent court and PTO rulings on patent validity.[[24]](#footnote-24) And the absolute finality rule, despite its flaws, provides a relatively bright-line test. It also incentivizes district courts to stay litigation pending PTO review to avoid having their work negated by a PTO decision of invalidity.[[25]](#footnote-25) Judicious use of the discretionary power to stay litigation may, in fact, be the most effective way for courts to avoid conflicts with the PTO. The courts should stay litigation when duplicative proceedings would likely be inefficient, but deny stays when an accused infringer is merely seeking a second chance at avoiding liability.

Of course, that principle is easier to state than it is for district courts to consistently apply. And staying litigation is not the only option for mediating conflicting decisions on patent validity. This article evaluates several other options for reducing the likelihood of conflicting decisions, such as requiring the courts and the PTO to apply the same burden of proof on the issue of validity and requiring patent validity challenges to take place exclusively at the PTO.[[26]](#footnote-26) Ultimately, the problem of conflicting court and PTO decisions—although serious when it occurs—may be too episodic to justify such dramatic changes to the patent system. The aim of reducing conflicting decisions does, however, lend support to otherwise sensible reforms that are currently pending in Congress, such as proposals to harmonize the standards of patent claim construction applied by the courts and the PTO.[[27]](#footnote-27)

Before proceeding to the body of the article, a brief note on terminology is in order. When a court rejects a challenge to patent validity but the PTO invalidates the same patent, the article often characterizes the court and PTO decisions as “conflicting.” Yet it is possible that both decisions are actually correct based on the governing law and the factual record. For instance, the record in a given case might be insufficient to show that a patent is invalid by clear and convincing evidence, which means that a validity challenge in court will fail, but the same record might be just strong enough to show that the same patent is invalid by a preponderance of the evidence, which will be sufficient to obtain a ruling of invalidity from the PTO.[[28]](#footnote-28) Alternatively, the records before the court and the PTO might be different, with the parties presenting different invalidity arguments, which might also explain why a court rejected a validity challenge but the PTO found the same patent to be invalid.[[29]](#footnote-29) Recognizing that the courts and the PTO are not necessarily deciding the same legal question on the same factual record, the article uses the term “conflicting” (or synonyms such as “contrary” or “inconsistent”) as short hand for the more precise statement that a court has conclusively rejected a challenge to patent validity while the PTO, in a contemporaneous post-issuance proceeding, ruled that the same patent is invalid. This article’s objective is to determine which of those two decisions—which might both be correct—should take precedence.[[30]](#footnote-30)

The remainder of the article proceeds as follows. Part I provides background on the various proceedings through which the courts and the PTO evaluate patent validity. Part II analyzes, in detail, several recent cases in which the Federal Circuit has struggled to reconcile inconsistent court and PTO rulings on patent validity. Part III, the heart of the article, critiques the Federal Circuit’s absolute finality rule from a doctrinal perspective and considers alternative approaches for resolving conflicting decisions. Finally, Part IV assesses the future of the absolute finality rule with an eye toward legislative reforms that could better harmonize proceedings in court and at the PTO.

I. Parallel Systems of Patent Adjudication

In the United States, both the federal courts and the PTO may review the validity of an issued patent. In those proceedings, the courts and the PTO are ostensibly deciding the same question: Does the patent satisfy the requirements of the federal Patent Act? Yet on legal issues critical to determining patent validity, the substantive law differs depending on the forum, which complicates the relationship between the two proceedings.

A. Litigation and Post-Issuance Review

Before examining that relationship, it is helpful to first provide some background on the process of patent litigation in the federal courts and post-issuance review at the PTO. If a patent holder thinks someone is infringing its patent, the patent holder may file an infringement suit in federal court.[[31]](#footnote-31) In response to an infringement suit, accused infringers commonly raise three defenses. First, the accused infringer will argue that it does not, in fact, infringe the patent.[[32]](#footnote-32) Second, the accused infringer will assert that the patent is unenforceable because, for instance, the patent holder obtained the patent through misrepresentations to the PTO.[[33]](#footnote-33) Finally, and most importantly for the purpose of this article, the accused infringer will claim that the patent is invalid because it does not satisfy one or more requirements of the Patent Act.[[34]](#footnote-34) The Patent Act requires, among other things, that a patent claim patentable subject matter;[[35]](#footnote-35) that the claimed invention be useful,[[36]](#footnote-36) novel,[[37]](#footnote-37) and nonobvious;[[38]](#footnote-38) and that the patent adequately describe the invention so others may practice it in the future.[[39]](#footnote-39)

To obtain a court decision on patent validity, a potential infringer need not wait for the patent holder to sue for infringement. The Declaratory Judgment Act allows a potential infringer to file its own lawsuit and seek a declaration that the patent is invalid, unenforceable, or not infringed, provided there is an “actual controversy” between the parties.[[40]](#footnote-40)

If a court decides that a patent is invalid, future defendants accused of infringing that patent may, under the doctrine of issue preclusion, rely on the previous judgment of invalidity as a complete defense.[[41]](#footnote-41) By contrast, if a court rejects a challenge to the patent’s validity in one case, the patent holder may not, in most circumstances, use that finding offensively against another accused infringer in a later case[[42]](#footnote-42) because due process strictly limits the use of preclusion against nonparties to a previous case.[[43]](#footnote-43) Hence, the adage: “Courts do not find patents ‘valid,’ only that the patent challenger did not carry the burden of establishing invalidity in the particular case before the court.”[[44]](#footnote-44)

The PTO can also review the validity of an issued patent. These PTO proceedings are usually instigated by defendants in patent infringement litigation or by those who are worried about becoming defendants in infringement litigation. Conflicting court and PTO decisions—the focus of this article—can arise from a wide variety of PTO proceedings, so a relatively detailed overview of those proceedings, and of the differences among them, will prove helpful later on.

Congress created the first post-issuance proceeding to review patent validity, ex parte reexamination, in 1980.[[45]](#footnote-45) In ex parte reexamination, any person can challenge the validity of an issued patent based on other patents or on printed publications in the prior art.[[46]](#footnote-46) In creating ex parte reexamination, the House Judiciary Committee suggested that the proceeding would be an alternative to “expensive and lengthy infringement litigation” and that it would permit a patent owner “to have the validity of his patent tested in the Patent Office where the most expert opinions exist.”[[47]](#footnote-47)

Under the statute, the PTO must institute reexamination if a request raises “a substantial new question of patentability.”[[48]](#footnote-48) This standard is, in practice, relatively lax, as the PTO initiates reexamination about 92% of the time.[[49]](#footnote-49) (In the past two years, the PTO has received between 300 and 350 petitions for ex parte reexamination per year.[[50]](#footnote-50)) In a clear majority of initiated proceedings (66%), the patent holder amends the challenged claims to preserve their validity.[[51]](#footnote-51) In about a quarter of initiated proceedings (22%), the PTO confirms that all of the claims are patentable, without amendment.[[52]](#footnote-52) Outright invalidation is rare in ex parte reexamination. The PTO cancels all of the challenged claims in only 12% of initiated proceedings.[[53]](#footnote-53) Once the PTO decides to institute ex parte reexamination, the requester is excluded from the process and reexamination proceeds in the same manner as prosecution of the original application.[[54]](#footnote-54) Although there is wide variation from one case to another, ex parte reexamination is perceived as relatively slow, taking on average about two years to complete.[[55]](#footnote-55)

To give requesting parties the ability to play a more significant role in post-issuance review, Congress has created several post-issuance proceedings in addition to ex parte reeexamination. In 1999, Congress created inter partes reexamination, which has since evolved into the inter partes review proceeding discussed below.[[56]](#footnote-56) As with ex parte reexamination, Congress appeared to view inter partes reexamination as an alternative to litigation, with the House Conference Committee report claiming it that would “reduce[]” “the volume of lawsuits in district courts.”[[57]](#footnote-57) In inter partes reexamination, the requester was allowed to file written submissions each time the patent owner responded to a PTO office action.[[58]](#footnote-58)

Most participants in the patent system initially ignored inter partes reexamination, due in part to the limited nature of the patent challenger’s right to participate and to estoppel provisions that required challengers to, essentially, choose to litigate validity either through inter partes reexamination or in infringement litigation in court.[[59]](#footnote-59) (By contrast, ex parte reexamination decisions have no estoppel effects on the requester, which allows the requester to raise similar arguments both at the PTO and in litigation.[[60]](#footnote-60)) Although initially ignored, inter partes reexamination was gaining popularity until 2011,[[61]](#footnote-61) when Congress passed the America Invents Act (AIA). The AIA replaced inter partes reexamination with inter partes review and created two new post-issuance proceedings, post-grant review and a transitional review program for business method patents.

Similar to reexamination, each of the new AIA proceedings begins when a petitioner (usually a defendant in a patent infringement lawsuit) asks the PTO to invalidate one or more patent claims.[[62]](#footnote-62) Rather than being considered by a single examiner, as is the case with a reexamination request, AIA proceedings are considered by a panel of three administrative patent judges on the Patent Trial and Appeal Board (PTAB), which the AIA also created.[[63]](#footnote-63) The new AIA proceedings are more litigation-like than reexamination. Not only is the patent challenger allowed to make written submissions throughout the process, once the PTAB grants a petition for review, the parties are entitled to (limited) discovery and to an oral hearing.[[64]](#footnote-64) And the proceedings are designed to conclude relatively quickly, in most cases within one year of the PTAB’s decision to institute proceedings.[[65]](#footnote-65)

Although the three new proceedings created by the AIA are similar in many ways, there are distinctions. The first proceeding, post-grant review, is available only for patents with a filing date on or after March 16, 2013.[[66]](#footnote-66) A petition for post-grant review must be filed within nine months after the patent issues.[[67]](#footnote-67) Unlike in ex parte reexamination, where invalidity arguments can be based only on prior patents or printed publications, a challenger in post-grant review can raise any invalidity argument it could raise as a defense in an infringement suit.[[68]](#footnote-68) The AIA, however, sets a relatively high bar for initiating post-grant review, providing that the PTAB may institute proceedings only if, based on the materials presented in the petition and in the patent holder’s response to the petition, the PTAB believes it is “more likely than not” that a challenged claim is unpatentable.[[69]](#footnote-69) Because the PTO has yet to issue many patents with filing dates on or after March 16, 2013, few post-grant review petitions have been filed to date.[[70]](#footnote-70)

The second new proceeding, inter partes review, is the successor to inter partes reexamination and is currently the most popular post-issuance proceeding at the PTO.[[71]](#footnote-71) Inter partes review can be sought for any patent for which post-grant review is not available, meaning patents that either have a filing date before March 16, 2013 or have a filing date on or after March 16, 2013 but for which the nine-month window for post-grant review has expired.[[72]](#footnote-72) The prior art in inter partes review is, like in ex parte reexamination, limited to prior patents and printed publications,[[73]](#footnote-73) and the only grounds for invalidity that the petitioner may argue are anticipation and obviousness.[[74]](#footnote-74) Also, if the petitioner is a defendant in a patent infringement lawsuit, the petitioner must seek review of the allegedly infringed patent within one year of service of the complaint.[[75]](#footnote-75) The standard for instituting inter partes review is higher than the “substantial new question of patentability” standard of ex parte reexamination, but lower than the “more likely than not” unpatentable standard of post-grant review. Specifically, the PTAB will institute inter partes review if it determines “there is a reasonable likelihood that the petitioner would prevail” with respect to at least one of the challenged patent claims.[[76]](#footnote-76) Unlike ex parte reexamination, which is instituted over ninety percent of the time, the PTAB has, to date, granted just fewer than half of all requests to institute inter partes review (889 of 1901), with another twenty-one percent of petitions (394 of 1901) settling before the PTAB decided whether to institute proceedings.[[77]](#footnote-77) Inter partes review is, however, far more deadly than ex parte reexamination, as the PTAB has held all of the instituted claims unpatentable in roughly two-thirds of proceedings that have reached a final decision (327 of 482).[[78]](#footnote-78)

The third and final proceeding created by the America Invents Act is covered business method review, which is available for patents that claim “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.”[[79]](#footnote-79) According to the House Judiciary Committee report on the AIA, the program was enacted in response to an abundance of “poor business-method patents” issued during the late 1990s and early 2000s that fueled a rise in “patent ‘troll’ lawsuits.”[[80]](#footnote-80) A petition for covered business method review can be filed at any time during the patent’s term and can raise any ground for invalidity.[[81]](#footnote-81) The petitioner must, however, be the defendant in a lawsuit for infringement.[[82]](#footnote-82) As with post-grant review, the PTAB may institute covered business method review if it is more likely than not that a claim is unpatentable.[[83]](#footnote-83) Covered business method review is a temporary program that, as it currently stands, will be available only until September 15, 2020.[[84]](#footnote-84) To date, the PTAB has granted just fewer than half of all requests to institute covered business method review (106 of 220), with another seventeen percent of petitions (35 of 220) settling before the PTAB decided whether to institute review.[[85]](#footnote-85) But an instituted covered business method review can be even more deadly than inter partes review. The PTAB has held all of the instituted claims unpatentable in nearly eighty percent of covered business method review proceedings that have reached a final decision (46 of 58).[[86]](#footnote-86)

Parties who seek post-issuance review at the PTO are, as noted, frequently defendants in patent infringement litigation. Those defendants often ask the district court to stay the infringement case pending the outcome of PTO proceedings. The Patent Act offers little guidance to courts in making this decision, so courts have developed a three-factor test to determine whether a stay is warranted, considering: “(1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party.”[[87]](#footnote-87) The covered business method review statute is an exception to the legislative silence on litigation stays. It adopts a test that repeats the three factors usually applied and adds a fourth factor of “whether a stay . . . will reduce the burden of litigation on the parties and on the court,”[[88]](#footnote-88) which supporters of the AIA believed to place a “heavy thumb on the scale in favor of a stay.”[[89]](#footnote-89)

By staying litigation, courts can avoid issuing a ruling on patent validity that conflicts with the PTO’s assessment. Across all post-issuance proceedings, district courts grant motions seeking stays of litigation roughly sixty percent of the time.[[90]](#footnote-90) The grant rate for stays pending an instituted inter partes review is higher, with commentators reporting grant rates of roughly eighty percent.[[91]](#footnote-91) In that vein, one Federal Circuit judge, sitting by designation in a district court, suggested that “after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed.”[[92]](#footnote-92)

That said, it is not uncommon for a court to deny a stay pending inter partes review if the accused infringer delays in seeking PTO review,[[93]](#footnote-93) if there are patent claims in the case on which the PTO has not instituted review,[[94]](#footnote-94) or if the parties are direct competitors in the market.[[95]](#footnote-95) Moreover, courts are generally perceived to be reluctant to grant stays pending ex parte reexamination because outright invalidation of the patent is rare in that proceeding.[[96]](#footnote-96) Individual courts and judges also vary widely in their proclivity to grant stays. Importantly, the Eastern District of Texas—the federal judicial district that handles the most patent cases, over forty percent of all patent cases filed nationwide[[97]](#footnote-97)—seems reluctant to stay litigation pending PTO review. In the first two years that inter partes review existed, the Eastern District granted only thirteen percent of stay motions.[[98]](#footnote-98) By comparison, the Northern District of California, which is consistently one of the top five districts in number of patent cases filed, granted eighty-five percent of motions to stay pending inter partes review during that same time period.[[99]](#footnote-99) More recent evidence, however, suggests that the Eastern District is becoming more willing to stay litigation, at least once the PTAB has decided to institute inter partes review.[[100]](#footnote-100)

Because litigation is often stayed pending PTO review, cases in which a court and the PTO issue contrary, contemporaneous rulings on patent validity—the focus of this article—are exceptional. But, as illustrated by the cases discussed below, conflicting decisions do occur, and, when they occur, the stakes are high. Judgments of tens or hundreds of millions of dollars hang in the balance, as do injunctions against continued infringement that have the potential to reshape competition in a particular industry.

B. The Relationship Between the Parallel Systems

Conflicting decisions between the courts and the PTO occur in part because the two forums apply different law in assessing patent validity. The most significant differences involve the burden of proof on invalidity and the standards used to construe the claims of the patent.

The Patent Act states that issued patents are presumed to be valid.[[101]](#footnote-101) This presumption means that a litigant challenging patent validity in court must prove invalidity by clear and convincing evidence.[[102]](#footnote-102) In post-issuance review at the PTO, by contrast, the presumption of validity does not apply,[[103]](#footnote-103) and the standard of proof for invalidity is a preponderance of the evidence.[[104]](#footnote-104) Thus, as the Federal Circuit has noted, “the PTO in reexamination proceedings and the court system in patent infringement actions ‘take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions.’”[[105]](#footnote-105)

The courts and the PTO also take different approaches to the critical question of claim construction. Claim construction is the process by which the judge decides what the claims of the patent mean, a ruling that is important to determining both validity and infringement.[[106]](#footnote-106) Under Federal Circuit law, a court construing a term in a patent claim begins by trying to determine “the ordinary and customary meaning” that the term would have to “a person of ordinary skill in the art.”[[107]](#footnote-107) If that meaning is not “immediately apparent,” the court can consider other evidence of the term’s meaning, including language used elsewhere in the patent’s claims, the detailed description of the invention included in the patent document (called the specification, in patent parlance), the patent’s prosecution history (that is, the record of communication between the patent applicant and the PTO that preceded issuance of the patent), and extrinsic evidence of the term’s meaning, including expert testimony, dictionaries, and treatises.[[108]](#footnote-108) Although various sources can provide evidence of claim meaning, the court’s objective is simple: “‘to ascertain precisely what it is that is patented.’”[[109]](#footnote-109)

The PTO, by contrast, gives patent claims their “broadest reasonable construction” in light of the patent’s specification.[[110]](#footnote-110) As the Federal Circuit has observed: “The broadest reasonable interpretation of a claim term may be the same as or broader than [a court’s] construction of a term . . . . But it cannot be narrower.”[[111]](#footnote-111) The primary justification for the PTO’s broadest reasonable construction standard is that patent claims in proceedings at the PTO can be amended, so a patent applicant or patent owner faced with a broad claim construction that renders the claim anticipated or obvious can revise that claim to avoid the prior art.[[112]](#footnote-112) In regulations implementing the AIA, the PTO adopted the broadest reasonable construction standard for the new proceedings created by the Act, reasoning, among other things, that it would be impractical to apply different claim construction standards in different proceedings.[[113]](#footnote-113)

The broader claim construction at the PTO, like the lower burden of proof, renders patents more vulnerable to invalidation at the PTO than in court. A broader claim is more likely to encompass technology already disclosed in the prior art, making that claim invalid for anticipation or for obviousness. Although the opportunity to amend claims in post-issuance proceedings at the PTO mitigates the risk of invalidation, the right to amend is relatively limited in AIA proceedings,[[114]](#footnote-114) and successful motions to amend in inter partes review have been rare.[[115]](#footnote-115)

The differences in the legal doctrines applied by the courts and the PTO complicate the relationship between the two forums. Recently, in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, the Supreme Court held—in a case involving the trademark side of the PTO, no less—that decisions of administrative agencies can preclude relitigation in court, and vice versa, so long as the ordinary requirements of issue preclusion are satisfied.[[116]](#footnote-116) One of those requirements is that both tribunals are deciding the same issue.[[117]](#footnote-117) In *B&B Hardware*, the Court ruled that the PTO’s finding during trademark registration that a mark was likely to cause confusion with a previously registered mark could preclude the parties from relitigating likelihood of confusion in later trademark infringement litigation.[[118]](#footnote-118) But, cognizant of the “same issue” requirement, the Court added, somewhat ambiguously, that for issue preclusion to apply, the trademark owner must have been using its mark in ways that were “materially the same” as the uses described in its registration application.[[119]](#footnote-119) In parallel patent disputes, however, there is no ambiguity about whether issue preclusion applies. The differing burdens of proof and standards of claim construction applied by the courts and the PTO unequivocally mean that the “same issue” requirement of issue preclusion is not met.[[120]](#footnote-120) Thus, an infringer who has unsuccessfully tried to invalidate a patent in court is not precluded from asking the PTO reassess the validity of the same patent, for the PTO will construe the patent’s claims more broadly and apply a lower burden of proof on invalidity.[[121]](#footnote-121)

Things are more complicated when it is the PTO, rather than a court, that first rejects a challenge to patent validity. In that circumstance, it might seem that an accused infringer who cannot satisfy the lower burden of proof at the PTO should not be permitted to reassert the same invalidity arguments in court, where the burden of proof is higher, even if the issues are not technically “the same” for the purpose agency-court issue preclusion under *B&B Hardware*. Indeed, the AIA explicitly prohibits an accused infringer who has pursued a PTAB proceeding to a final decision from raising in litigation any argument that it raised or, in the case of inter partes review and post-grant review, could have raised before the PTAB.[[122]](#footnote-122)

The ex parte reexamination statute, however, does not address the issue of repetitive arguments for invalidity. Moreover, an accused infringer who merely asks the PTO to institute an ex parte reexamination is not technically a party to the reexamination proceeding, defeating another prerequisite for issue preclusion (in addition to the “same issue” requirement).[[123]](#footnote-123) Accordingly, a PTO decision confirming patentability in ex parte reexamination does not (and, as a matter of constitutional due process, probably could not) preclude the accused infringer from attempting to establish invalidity in subsequent litigation.[[124]](#footnote-124) That said, the Federal Circuit has suggested that confirmation in ex parte reexamination can make an accused infringer’s burden of proving invalidity in litigation “more difficult to sustain.”[[125]](#footnote-125) The Federal Circuit has also stated that a court “must consider” the examiner’s decision in deciding whether the infringer has proved invalidity in subsequent litigation.[[126]](#footnote-126) Thus, although the PTO’s confirmation of a patent’s validity in ex parte reexamination does not preclude a future challenge to that patent’s validity in court, the PTO’s decision does receive some ill-defined form of deference.[[127]](#footnote-127)

Although the AIA, unlike the ex parte reexamination statute, explicitly prohibits certain types of repetitive litigation, it also leaves several important questions unanswered. For instance, the statutory prohibition on reasserting arguments that were rejected by the PTAB does not arise unless and until the PTAB issues a “final written decision.”[[128]](#footnote-128) A decision instituting or declining to institute review is therefore outside the statute’s scope, and courts have reached divergent results about how those PTAB decisions should affect litigation, if at all. Some district courts have allowed patent holders to inform the jury that the PTAB denied the accused infringer’s petition for review.[[129]](#footnote-129) Other courts, by contrast, have emphasized the “different standards, procedures and presumptions” that apply in court and at the PTAB and have prohibited litigants from referring to post-issuance proceedings involving the patent-in-suit.[[130]](#footnote-130)

As for claim construction, the Federal Circuit has held that, in an ex parte reexamination, the PTO cannot be bound by a district court claim construction because the PTO is not a party to district court litigation.[[131]](#footnote-131) The patent holder, by contrast, is a party to both the litigation and to any post-issuance review proceeding. Accordingly, the Federal Circuit has held—despite the differing claim construction standards that would seem to defeat issue preclusion—that a district court’s prior claim construction can bind a patent owner in ex parte reexamination.[[132]](#footnote-132) In the new proceedings created by the AIA, however, the PTAB has not applied that principle broadly. Although it is not uncommon for the PTAB to adopt a district court’s previous claim construction,[[133]](#footnote-133) particularly when the parties urge it to do so,[[134]](#footnote-134) the PTAB has made clear that, because it applies a different claim construction standard, it construes claims independently.[[135]](#footnote-135)

Similarly, the courts generally acknowledge that they are not bound by the PTO’s claim construction because of the PTO’s use of the broadest reasonable construction standard.[[136]](#footnote-136) But it is not unusual for courts to acknowledge that PTO claim construction can be “helpful” to the court.[[137]](#footnote-137) Indeed, it is well-established that the PTO’s interpretation of the claims, including during post-issuance proceedings, is important evidence of claim meaning in subsequent court proceedings.[[138]](#footnote-138)

As this discussion suggests, the relationship between patent litigation in court and post-issuance review at the PTO is complicated, unpredictable, and often defined through ad hoc decisions by federal district judges and the PTAB. This background will help in answering the complex and controversial issue to which the article now turns: What happens if a court finds a patent to be infringed and rejects a challenge to the patent’s validity, but the PTO, at roughly the same time, finds the patent to be invalid?[[139]](#footnote-139)

II. Conflicting Decisions in Concurrent Proceedings

As the popularity of post-issuance review at the PTO has grown, the question of how the PTO’s invalidation of a patent affects concurrent infringement litigation has become exceedingly important. Yet, to date, few commentators have tried to answer that question.[[140]](#footnote-140) This part provides a descriptive account to fill that gap. To be clear up front: the story is complicated. Cases involving concurrent proceedings in court and at the PTO are inevitably complex, and seemingly minor facts and procedural details can play a critical role. The story begins with two unpublished Federal Circuit opinions decided nearly fifteen years apart that provided scant reasoning but that likely influenced the Federal Circuit’s current approach. And it ends with a deeply divided Federal Circuit, having decided three contentious cases on the issue in two years, denying a petition for rehearing en banc by a vote of five to five. In between are several fractured panel decisions of questionable reasoning and numerous dissenting and concurring opinions discussing matters as wide-ranging as preclusion law, the proper interpretation of the Patent Act, separation of powers, and worries about the fundamental fairness of patent proceedings. The question of how to handle conflicting validity decisions between the courts and the PTO has, in short, emerged as one of the most contentious issues in patent law today. A deep dive into the Federal Circuit case law governing that question provides a basis for the normative analysis that follows.

A. Foreshadowing the Absolute Finality Rule

Until 2013, the Federal Circuit had addressed the question of how the PTO’s invalidation of a patent affects ongoing patent infringement proceedings in only two, unpublished opinions.[[141]](#footnote-141) Although the opinions were not precedential, they foreshadowed the court’s current approach, which gives precedence to a PTO decision of invalidity unless district court litigation is absolutely final.

In the first unpublished decision, *Standard Havens Products, Inc. v. Gencor Industries, Inc.*,[[142]](#footnote-142) the U.S. District Court for the Western District of Missouri had ruled that Standard Havens’ patent was infringed by Gencor and that Gencor failed to prove that the patent was invalid.[[143]](#footnote-143) The court awarded $5.9 million in damages and entered an injunction against Gencor’s continued infringement.[[144]](#footnote-144) On appeal, the Federal Circuit affirmed the rulings on validity and infringement but remanded for further proceedings related to damages and the injunction.[[145]](#footnote-145) While that Federal Circuit appeal was pending, the PTO, at Gencor’s behest, had begun an ex parte reexamination of Standard Havens’ patent.[[146]](#footnote-146) The PTO ultimately invalidated the patent claims Standard Havens had asserted in the infringement litigation,[[147]](#footnote-147) and Standard Havens appealed that decision by filing a civil suit in the U.S. District Court for the District of Columbia.[[148]](#footnote-148)

While that suit was pending, Gencor filed a motion in the Western District of Missouri to stay further proceedings in the infringement case.[[149]](#footnote-149) The Missouri district court denied the motion, reasoning that, because of the Federal Circuit’s affirmance of its prior ruling on validity and infringement, Standard Havens possessed “the equivalent of a final judgment” on those issues.[[150]](#footnote-150) Considering the potential impact of a future ruling by the D.C. district court, the Missouri district court noted that it was aware of “no case or rule of law that holds that a final judgment in a separate lawsuit, in a separate jurisdiction, which may or may not be rendered at some undetermined point in the future would control and, indeed, void this Court’s judgment in this case.”[[151]](#footnote-151)

The Federal Circuit reversed the district court’s denial of Gencor’s stay motion.[[152]](#footnote-152) In a terse, unpublished opinion that provided little reasoning (and cited no pertinent authority), the court wrote:

The district court incorrectly concluded that the reexamination decision can have no effect on this infringement suit even if the reexamination decision becomes final. As a matter of law, . . . if the reexamination decision of unpatentability is upheld in the court action . . . , the injunction would thereby immediately become inoperative. In addition, if a final decision of unpatentability means the patent was void *ab initio*, then damages would also be precluded.[[153]](#footnote-153)

Nearly fifteen years later, the Federal Circuit again encountered conflicting court and PTO decisions in concurrent proceedings. In *Translogic Technology, Inc. v. Hitachi, Ltd.*, the Federal Circuit vacated a district court decision awarding damages in light of the PTO’s subsequent invalidation of the patent.[[154]](#footnote-154) In that case, a jury had awarded Translogic $86.5 million in damages for infringement.[[155]](#footnote-155) While post-verdict motions were pending in the district court, the PTO invalidated the asserted claims of Translogic’s patent in a reexamination proceeding requested by Hitachi, the defendant in the infringement case.[[156]](#footnote-156) The district court eventually entered judgment on the jury verdict, and both Hitachi’s appeal in the infringement case and Translogic’s appeal from the PTO reexamination ended up in the Federal Circuit at the same time. In one opinion, the Federal Circuit affirmed the PTO decision, holding that the claims were invalid for obviousness.[[157]](#footnote-157) Then, in an unpublished opinion issued the same day, the Federal Circuit vacated the judgment in the infringement litigation and remanded with instructions that the district court dismiss the case.[[158]](#footnote-158) As in *Standard Havens*, the Federal Circuit cited no authority for the principle that the PTO’s decision required vacatur of the district court’s prior ruling on validity and infringement.[[159]](#footnote-159)

B. The Absolute Finality Rule

Although the Federal Circuit rarely considered how the PTO’s invalidation of a patent affects concurrent infringement litigation in the first thirty years of the court’s existence, the court has decided three major cases on the issue in the past two years. The first case, *Fresenius USA, Inc. v. Baxter International, Inc.*,[[160]](#footnote-160) confirmed what the Federal Circuit had suggested in its prior unpublished opinions: a PTO decision of invalidity takes precedence over any court ruling on the issue of validity so long the court case remains pending. The second case, *Versata Computer Industry Solutions, Inc. v. SAP AG*,[[161]](#footnote-161) illustrates the immediate impact of the Federal Circuit’s adoption of the absolute finality rule, with the patent holder engaging in complex procedural maneuvering to expedite the conclusion of infringement litigation and the infringer plotting to delay the litigation to take advantage of a PTO ruling of invalidity. And in the third decision, *ePlus, Inc. v. Lawson Software, Inc.*,[[162]](#footnote-162) the Federal Circuit extended the absolute finality rule by holding that a PTO decision could not only take precedence over a court award of damages for infringement, it could also require a court to vacate a finding of contempt that was based on an infringer’s violation of an injunction.

*1. Creation*

The Federal Circuit first articulated the absolute finality rule in *Fresenius*. That case involved several patents owned by Baxter relating to hemodialysis machines, which are used in place of kidneys to remove toxins from the blood.[[163]](#footnote-163) In 2003, Fresenius, one of Baxter’s competitors, filed suit seeking declaratory judgments of noninfringement and invalidity of three Baxter patents.[[164]](#footnote-164) Baxter counterclaimed for infringement.[[165]](#footnote-165) The jury ruled in Fresenius’s favor, holding Baxter’s asserted patent claims to be invalid.[[166]](#footnote-166) The district court, however, granted Baxter’s motion for judgment as a matter of law, ruling that Fresenius had not presented sufficient evidence to support the verdict of invalidity.[[167]](#footnote-167) At a subsequent trial on damages, the jury awarded Baxter $14.266 million for infringement of the three asserted patents.[[168]](#footnote-168) The district court also entered a permanent injunction (which it stayed to allow Fresenius to develop a noninfringing machine) and awarded Baxter ongoing post-verdict royalties on Fresenius’s sales of infringing machines and related products.[[169]](#footnote-169)

On appeal, the Federal Circuit affirmed the district court’s grant of judgment as a matter of law to Baxter on its claim of infringement of one patent, U.S. Patent No. 5,247,434 (the ’434 patent), but reversed the judgment in Baxter’s favor on the other two patents, holding that the asserted claims were invalid.[[170]](#footnote-170) Accordingly, the Federal Circuit vacated the award of ongoing royalties and remanded for the district court to reconsider the award in light of the Federal Circuit’s holdings on validity.[[171]](#footnote-171) In addition, the Federal Circuit affirmed the district court’s decision to permanently enjoin Fresenius, but it vacated the injunction and remanded so that the district court could “revise or reconsider the injunction in light of” the holdings on validity.[[172]](#footnote-172)

Fresenius then filed a petition for a writ of certiorari, which the Supreme Court denied.[[173]](#footnote-173) At that point, court proceedings on the validity and infringement of the ’434 patent were effectively concluded in Baxter’s favor. And Fresenius had not challenged on appeal the amount of the jury’s award for past damages. So, Baxter’s entitlement to the $14.266 million awarded by the jury was, as a practical matter, no longer open to dispute.[[174]](#footnote-174)

While the infringement litigation was pending on remand, the ’434 patent expired, mooting Baxter’s request for an injunction.[[175]](#footnote-175) The district court eventually entered a final judgment ordering Fresenius to pay Baxter $14.266 million plus interest in past damages and $9.3 million in post-verdict royalties, and Fresenius again appealed to the Federal Circuit.[[176]](#footnote-176)

As Baxter and Fresenius were disputing the infringement case in court, Baxter was also defending the patent’s validity at the PTO, where Fresenius had requested an ex parte reexamination of the ’434 patent.[[177]](#footnote-177) While the infringement case was pending on remand, the Board of Patent Appeals and Interferences, the predecessor of the Patent Trial and Appeal Board created by the America Invents Act, issued a final decision invalidating the claims of the ’434 patent that the courts had found to be infringed.[[178]](#footnote-178) Baxter then appealed to the Federal Circuit, which affirmed the PTO’s decision of invalidity.[[179]](#footnote-179) The Federal Circuit acknowledged that, in the prior appeal in the infringement litigation, it had refused to invalidate the same patent claims that the PTO had invalidated.[[180]](#footnote-180) But the Federal Circuit emphasized that the standard of proving invalidity at the PTO is “a preponderance of the evidence,” which is “substantially lower” than the clear and convincing standard that applies in district court litigation, and that the PTO’s invalidity decision was based on prior art references “that were not squarely at issue” in the litigation.[[181]](#footnote-181)

About a year after affirming the PTO’s decision holding Baxter’s patent to be invalid, the Federal Circuit ruled on Fresenius’s appeal from the remanded district court proceedings. A split panel of the court vacated the damages judgment in Baxter’s favor. Judge Dyk, writing for the court, began the opinion with an extensive discussion of the reexamination regime, asserting that, as a general matter, when the PTO invalidates a patent that is subject to pending litigation, “the patentee’s cause of action is extinguished and the suit fails.”[[182]](#footnote-182)

The court then turned to Baxter’s argument that the courts had already and conclusively decided the issues of validity, infringement, and past damages and that, accordingly, Fresenius was now barred from relitigating those issues.[[183]](#footnote-183) The court noted that “the cancelation of a patent’s claims cannot be used to reopen a final damages judgment,” but concluded that proceedings in the infringement case were not sufficiently final to be immune from the effects of PTO reexamination.[[184]](#footnote-184) “Looking to general res judicata principles governing the preclusive effect of a judgment,” the court wrote, “it is well-established that where the scope of relief remains to be determined, there is no final judgment binding the parties (or the court).”[[185]](#footnote-185) Because the Federal Circuit’s decision in the first appeal of the infringement litigation “left several aspects of the district court’s original judgment unresolved,” including the amount of on-going royalties and the scope of the injunction, the Federal Circuit reasoned that there was no final court decision at the time the PTO invalidated the patent.[[186]](#footnote-186) In a footnote, the court cited its prior unpublished opinion in *Translogic*, in which the Federal Circuit vacated a district court judgment of infringement in light of the patent’s subsequent invalidation in reexamination.[[187]](#footnote-187)

Judge Newman dissented. She lamented that the court’s approach endorsed “tactical gaming and harassment” by potential infringers who can make multiple attempts to invalidate a single patent.[[188]](#footnote-188) She also disagreed with the majority’s stringent view of finality, noting that the modern doctrine of issue preclusion treats finality as a “pliant” and “flexible” concept.[[189]](#footnote-189) She catalogued opinions by numerous other federal courts of appeals acknowledging that decisions can be entitled to preclusive effect even if they do not end the litigation altogether, so long as the parties have had a “full and fair opportunity to litigate” the relevant issue (here, patent validity).[[190]](#footnote-190)

When the Federal Circuit denied rehearing en banc, four of the ten participating judges dissented. Judge O’Malley, joined by Chief Judge Rader and Judge Wallach, wrote a forceful opinion criticizing the panel’s “antiquated view of finality.”[[191]](#footnote-191) Since at least the 1960s, she argued, courts have held orders that establish liability to be final for the purpose of issue preclusion even if matters such as damages remain to be determined.[[192]](#footnote-192) Judge O’Malley also noted that the panel decision “goes a long way toward rendering district courts meaningless in the resolution of patent infringement disputes” because courts will inevitably stay proceedings pending reexamination to avoid having their work nullified by a contrary decision of the PTO.[[193]](#footnote-193) Judge Newman dissented separately, expressing concern that the court had created “an unconstrained free-for-all” that enables “pervasive duplication of litigation and reexamination of the same patents.”[[194]](#footnote-194)

*2. Consequences*

The Federal Circuit’s next case involving conflicting validity decisions between a court and the PTO, *Versata v. SAP*, illustrates the procedural free-for-all that worried Judge Newman. In that case, Versata sued SAP for infringing several patents on computer software.[[195]](#footnote-195) After two trials, the district court found one of Versata’s patents to be infringed and rejected SAP’s arguments that the patent was invalid. The court awarded Versata $260 million in lost profits damages and $85 million in reasonable royalties, and it also entered a permanent injunction.[[196]](#footnote-196)

In an opinion issued in May 2013, the Federal Circuit affirmed the finding of infringement and the awards of lost profits and reasonable royalties.[[197]](#footnote-197) (SAP did not appeal on the issue of validity.[[198]](#footnote-198)) The court, however, also ruled that a portion of the injunction was overbroad and remanded the case for the district court to modify the injunction.[[199]](#footnote-199)

While that appeal had been pending at the Federal Circuit, SAP sought review of Versata’s patent in the covered business method review proceeding created by the America Invents Act. In fact, SAP filed its petition on the very first day the proceeding was available, September 16, 2012. In June 2013, the PTAB ruled that Versata’s patent claims were invalid.[[200]](#footnote-200) After an unsuccessful petition for rehearing,[[201]](#footnote-201) Versata appealed the PTAB’s ruling to the Federal Circuit, and the court docketed the appeal on January 3, 2014.

With conflicting court and PTO rulings on patent validity, the race to finality was on. In the district court, Versata tried to speed up final resolution and protect its damages judgment. On January 21, 2014, the day the Supreme Court denied SAP petition’s for a writ of certiorari from the Federal Circuit’s May 2013 decision in the infringement case,[[202]](#footnote-202) Versata abandoned its request for an injunction, which was the only issue remanded by the Federal Circuit. With final resolution of the infringement case close at hand, SAP was not to be outdone. On February 1, SAP filed a motion with the district court seeking either (a) a stay of proceedings in light of the pending Federal Circuit appeal of the PTAB proceeding or (b) a vacatur of the prior damages judgment based on the PTAB’s invalidation of the patent.[[203]](#footnote-203)

The district court denied the motion for a stay, largely because the case was nearly complete.[[204]](#footnote-204) The court also denied the motion to vacate the judgment, noting that SAP had “taken advantage of a full and fair opportunity to litigate the validity of the patent before this Court, before the jury, and before the Federal Circuit, even pursuing a writ [of certiorari] to the United States Supreme Court.”[[205]](#footnote-205) In language that seems to question the Federal Circuit’s holding in *Fresenius*, the court wrote:

To hold that later proceedings before the PTAB can render nugatory that entire process, and the time and effort of all of the judges and jurors who have evaluated the evidence and arguments[,] would do a great disservice to the Seventh Amendment and the entire procedure put in place under Article III of the Constitution.[[206]](#footnote-206)

The court ultimately distinguished *Fresenius*, noting that the covered business method review proceeding was not “final” because the Federal Circuit had not yet decided Versata’s appeal.[[207]](#footnote-207) But the court also wrote, again seemingly challenging the Federal Circuit’s reasoning in *Fresenius*, that “this Court does not believe that later finality will change that calculus,” as “it is the finality of the judgments issued by the Federal Courts that is at stake here.”[[208]](#footnote-208)

SAP appealed the district court’s order to the Federal Circuit. Versata, again seeking to expedite resolution of the case, filed a motion for summary affirmance, arguing that SAP was simply trying to prolong the infringement litigation.[[209]](#footnote-209) SAP, for its part, persuasively noted that its “appeal is powered by the compelling logic that a district court should not enter judgment directing a party to pay $391 million based on a patent that the Patent Office has finally determined invalid.”[[210]](#footnote-210) In a short order that contained no discussion of *Fresenius*, the Federal Circuit granted Versata’s motion and affirmed the district court’s judgment, allowing the damages award to stand, notwithstanding the contrary decision of the PTO.[[211]](#footnote-211)

The Federal Circuit’s decision to resolve the *Versata* case in a summary order is highly questionable. The case presented inconsistent validity decisions between a court and the PTO, and the Federal Circuit’s decision to uphold the damages award is potentially in tension with *Fresenius*, in which the court *overturned* an award of damages for infringement because of the PTO’s subsequent ruling of invalidity. Although the Federal Circuit offered no reasoning, it is nonetheless possible to reconcile *Versata* with *Fresenius*. In *Versata*, the PTO had invalidated Versata’s patent, but the PTO proceeding was not entirely concluded because, unlike in *Fresenius*, the Federal Circuit had not yet affirmed the PTO’s decision. In *Fresenius*, by contrast, the PTO proceeding *was* entirely concluded once the Federal Circuit affirmed the PTO’s decision, so the PTO’s ruling of invalidity took precedence over the district court’s rulings in the still-pending litigation.

Doctrine aside, however, the result in *Versata* could not have been fully satisfying to either party. Versata, although it was able to preserve its damages award, was forced to abandon its request for injunctive relief in order to expedite finality, even though both the district court and the Federal Circuit had ruled that Versata was entitled to an injunction. SAP, on the other hand, was saddled with a $391 million judgment for infringing a patent that PTO now believes—and the Federal Circuit has since affirmed[[212]](#footnote-212)— never should have issued.[[213]](#footnote-213) *Versata* thus illustrates the procedural maneuvering that the absolute finality rule encourages, the difficult strategic decisions the rule requires, and the potential unfairness that can result when a PTO decision of invalidity comes just a little too late.

*3. Extension*

The Federal Circuit’s most recent decision in this line of cases, *ePlus v. Lawson*, extended the absolute finality rule by allowing an infringer to rely on a PTO decision of invalidity to abrogate a court order holding the infringer in contempt.[[214]](#footnote-214) In that case, ePlus sued Lawson for infringement of U.S. Patents No. 6,023,683 (the ’683 patent) and 6,505,172 (the ’172 patent).[[215]](#footnote-215) The patents claim methods and systems of using electronic databases to search for product information and to order products from third-party vendors.[[216]](#footnote-216) The allegedly infringing software sold by Lawson was modular, meaning that Lawson’s customers could choose to buy particular software components depending on their needs.[[217]](#footnote-217) ePlus alleged infringement by five different configurations of Lawson’s software, referred to by the Federal Circuit as “Configurations 1-5.”[[218]](#footnote-218) The jury found that Configurations 3 and 5 infringed both claim 1 of the ’172 patent and claims 3, 26, 28, and 29 of the ’683 patent and that Configuration 2 infringed claim 1 of the ’172 patent.[[219]](#footnote-219) The jury found that Configurations 1 and 4 did not infringe any of ePlus’s asserted patent claims.[[220]](#footnote-220)

The Federal Circuit reversed in part, ruling that claim 1 of the ’172 patent and claim 3 of the ’683 patent were invalid and that claims 28 and 29 of the ’683 patent were not infringed.[[221]](#footnote-221) The Federal Circuit, however, affirmed the district court’s finding that claim 26 of the ’683 patent was infringed.[[222]](#footnote-222) Because only Configurations 3 and 5 infringed that claim, the Federal Circuit “remand[ed] for the district court to consider what changes are required to the terms of the injunction consistent with this opinion.”[[223]](#footnote-223)

On remand, the district court deleted from the injunction Configuration 2, which infringed only a patent claim that the Federal Circuit had ruled to be invalid.[[224]](#footnote-224) The court also found Lawson in contempt, ruling that its redesigned software continued to infringe claim 26 of the ’683 patent.[[225]](#footnote-225) The court ordered Lawson to pay a compensatory fine of roughly $18.2 million and coercive daily fines of roughly $62,000 until it complied with the injunction.[[226]](#footnote-226) From that contempt order, Lawson again appealed to the Federal Circuit.

Meanwhile, claim 26 had been undergoing ex parte reexamination at the PTO in proceedings instituted by SAP, who was a defendant in a previous infringement suit filed by ePlus.[[227]](#footnote-227) The Board of Patent Appeals and Interferences eventually issued a final decision invalidating claim 26,[[228]](#footnote-228) and, while Lawson’s appeal from the contempt order was pending, the Federal Circuit affirmed the Board’s decision.[[229]](#footnote-229)

On Lawson’s appeal from the contempt order, the Federal Circuit panel unanimously vacated the injunction prospectively because the PTO had invalidated the patent claim on which the injunction was based.[[230]](#footnote-230) The court then confronted the sanctions the district court had awarded for Lawson’s past violations of the injunction, that is, for the violations that occurred before the PTO invalidated the patent in reexamination. The majority (Judge Dyk, joined by Chief Judge Prost) relied on *Fresenius* to vacate the sanctions order. In *Fresenius*, the court explained, “[w]e held . . . that even if this court has rejected an invalidity defense to infringement, an intervening decision invalidating the patents unquestionably applies as long as the judgment” in the infringement case “is not final.”[[231]](#footnote-231) As to finality, the court explained that “where the scope of relief remains to be determined, there is no final judgment.”[[232]](#footnote-232) In the court’s view, its remand in the first appeal meant that the scope of the injunction was still an open question at the time the PTO invalidated claim 26.[[233]](#footnote-233) Thus, over the dissent of Judge O’Malley, the court held that *Fresenius* mandated vacatur of the sanctions award.[[234]](#footnote-234)

The Federal Circuit denied ePlus’s petition for rehearing en banc by a vote of five to five, one vote shy of the majority needed to grant review.[[235]](#footnote-235) Three judges wrote dissenting opinions including Judge Newman, who again argued that the absolute finality rule conflicts with the law in other circuits that a ruling on liability is entitled to preclusive effect on that issue,[[236]](#footnote-236) and Judge O’Malley who similarly cited the need “to reevalute our finality jurisprudence.”[[237]](#footnote-237)

Judge Moore wrote a provocative dissent focusing on concerns about practicality and fairness. She emphasized that the majority’s holding “encourages defendants to scrap and fight to keep underlying litigation pending in the hope that they will fare better with the PTO and then be able to unravel the district court judgment against them.”[[238]](#footnote-238) She also highlighted broader concerns about parallel review of patent validity noting:

[T]here are problems with a system which permits defendants to snatch victory from the already closed jaws of defeat. Whether these problems are to be resolved by the Supreme Court through its precedent on finality or through Congress, this sort of gamesmanship ought to be curtailed. I have no problem with the dual track system Congress has created, but for at least a subset of cases, defendants are abusing the process by doing both. This is wasteful of judicial, executive, and party resources, and it is just plain unfair. Congress intended [post-issuance review] to be an alternative to district court litigation of certain validity issues, not duplicative of them.[[239]](#footnote-239)

With the Federal Circuit’s denial of rehearing in *ePlus*, the absolute finality rule is now indisputably the law of the land. Yet the sharp disagreements among the court’s judges suggest that the issue is far from settled. Consequently, this article’s next task is to provide a close analysis of the rationale for and consequences of the absolute finality rule.

C. How Final Is Final?

The first question in that analysis involves the meaning of the absolute finality rule itself. In *Fresenius*, *Versata*, and *ePlus* the Federal Circuit made clear that court proceedings must be “final” to be immune from the effects of post-issuance review at the PTO. But the court has not been clear about exactly how final the court case must be. The panel majority in *Fresenius* wrote that, to be immune from vacatur, a court judgment must “irrevocably allow execution and payment.”[[240]](#footnote-240) But it is not clear when that occurs. The emphasis on executability cannot be taken literally because a district court judgment that is pending on appeal, such as the initial award of past damages to Baxter in the *Fresenius* case, *is* enforceable unless the appellant posts a supersedeas bond.[[241]](#footnote-241) In *ePlus*, by contrast, the court suggested that the touchstone for finality is that the “scope of relief” must be resolved,[[242]](#footnote-242) which would explain why a damages judgment that is technically executable is not sufficiently final to avoid vacatur due to a PTO decision of invalidity. Thus, for a judgment awarding damages to be final and immune from the effects of PTO review, it seems that all remedial proceedings—including appeals from those proceedings—must be concluded.

Although that seems to be a bright-line test, there are at least three points of ambiguity. First, it is not clear if ancillary proceedings, such as proceedings to recover attorneys’ fees, must also be concluded for the court’s decision to be immune from the effects of PTO review. The Federal Circuit’s reference to the “scope of relief” simply is not clear on this point, but it will likely prove important in future cases because of a recent Supreme Court decision that makes it easier to recover attorneys’ fees in patent cases and that will probably incentivize more fee applications.[[243]](#footnote-243) Under the relatively high bar the Federal Circuit has set for establishing finality, it seems plausible that the court would find a case in which fee proceedings are ongoing to not be sufficiently final to avoid the effect of a PTO decision invalidating the patent or patents in suit.

Second, if the test for finality is that the “scope of relief” must be resolved, it is not clear whether a judgment that includes an injunction against future infringement, such as the judgment in *ePlus*, can *ever* be sufficiently final to prevent a contempt sanction based on a violation of that injunction from being vacated due to the PTO’s subsequent invalidation of the patent. As Judge O’Malley pointed out in dissent in *ePlus*, district courts always have the power to revise injunctions in light of changed circumstances,[[244]](#footnote-244) which suggests that the scope of relief is never definitively resolved, as the Federal Circuit requires for a court decision to be immune from the effects of post-issuance review at the PTO.

Before discussing the third ambiguity about how final the court’s decision must be to survive a PTO ruling of invalidity, it is worth noting that the Federal Circuit also has not been clear about how final *the PTO’s* decision must be to justify vacatur of a court decision in favor of a patent holder. *Fresenius*, *Versata*, and *ePlus* contain some significant clues, however. As noted, one way to reconcile *Fresenius* and *Versata* is that, in *Versata*, the Federal Circuit had not yet reviewed the PTO’s invalidity decision so the district court’s judgment stood, whereas in *Fresenius*, the Federal Circuit had already affirmed the PTO’s invalidity decision, which allowed the PTO decision to take precedence over the court’s rulings in favor of Baxter, the patent holder. Likewise, in *ePlus*, the Federal Circuit had already reviewed the PTO’s invalidity decision when it relied on that decision to vacate the district court’s contempt order. Thus, the finality required of the PTO’s decision seems to be that any appeal from those proceedings must be concluded. As discussed below, the PTO issues its certificate canceling the patent when the appeal concludes or the time to appeal expires, so that definition of finality seems consistent with the Patent Act.[[245]](#footnote-245)

This leads back to the third point of ambiguity about how final a court’s decision must be to avoid vacatur based on a PTO ruling of invalidity: It is not clear whether partial final judgments entered under Federal Rule of Civil Procedure 54(b) are sufficiently final to avoid vacatur. Resolving that ambiguity will be critical to a pending dispute between smartphone manufacturers Apple and Samsung. In that case, Apple sued Samsung for infringing several patents and for diluting Apple’s trade dress.[[246]](#footnote-246) The district court found in Apple’s favor on both the patent and trade dress claims.[[247]](#footnote-247) The court awarded Apple $930 million in damages, roughly $548 million of which was attributable to Samsung’s patent infringement.[[248]](#footnote-248) In May 2015, the Federal Circuit affirmed the district court’s ruling on Apple’s patent claims but reversed on the trade dress claims and remanded for further proceedings.[[249]](#footnote-249)

While the appeal in the infringement litigation was pending, however, the PTO issued a decision in a reexamination proceeding invalidating one of the patents the district court had found to be infringed.[[250]](#footnote-250) On remand from the Federal Circuit, Apple, no doubt aware that, under the absolute finality rule, the PTO’s invalidity ruling (which at the time was almost ripe for appeal to the Federal Circuit) could endanger its award of patent infringement damages in the still-pending litigation, asked the district court to enter a partial final judgment for the $548 million in damages attributable to patent infringement, and the court did so.[[251]](#footnote-251) Samsung appealed the district court’s decision to enter a partial final judgment, but the Federal Circuit affirmed.[[252]](#footnote-252) The Federal Circuit’s affirmance supports the argument (discussed immediately above) that a PTO decision is not sufficiently final to justify vacating a court decision until the PTO decision has been reviewed on appeal by the Federal Circuit.

But, given that Apple’s trade dress claims remain pending in the district court on remand, is the *court’s* decision sufficiently final to avoid vacatur if the Federal Circuit eventually affirms the PTO’s invalidity ruling? If all of Samsung’s appeals from the partial final judgment are concluded when the Federal Circuit affirms the PTO, it would seem that the “scope of relief” on Apple’s patent infringement claim will have already been definitively resolved and that therefore Apple’s $548 million award is secure. Indeed, the Federal Circuit’s opinion in *Fresenius*, in defining the finality of a court decision for the purpose of being immune from the effects of PTO review, at times invoked language defining finality for the purpose of appeal.[[253]](#footnote-253) And a partial final judgment is, indisputably, sufficiently final that it is appealable.[[254]](#footnote-254)

That said, some of the cases on which the Federal Circuit has relied in articulating the absolute finality rule suggest that vacatur of a court decision is permissible even when the only issues remaining in the case have nothing to do with patent infringement.[[255]](#footnote-255) The *Fresenius* opinion itself could also be read to suggest that a partial final judgment is not sufficient to avoid vacatur. Specifically, the opinion at times appears to suggest that a “final damages judgment *ending a suit*” is required to immunize a court ruling from the effects of PTO review.[[256]](#footnote-256) And if Samsung’s appeals from the partial final judgment are *not* concluded when the Federal Circuit affirms the PTO’s invalidity decision, then the case for vacatur seems even stronger because the scope of Apple’s relief on the patent infringement claims would not be fully resolved. Further proceedings in this high-profile case will hopefully provide important guidance about whether partial final judgments are sufficiently final to avoid the effects of the PTO’s invalidation of the underlying patent.

In sum, despite these lingering ambiguities, the Federal Circuit’s rule for resolving conflicting validity decisions between the courts and the PTO can essentially be stated as one of absolute finality: whichever proceeding, the court’s or the PTO’s, first reaches an absolute, irrevocable conclusion will take precedence. Although the court could be clearer about when, exactly, a proceeding becomes final, the rule provides a relatively bright-line test for determining which decision controls. Yet, as explored in the next part of the article, the absolute finality rule also has several potentially harmful consequences.

III.Rethinking the Absolute Finality Rule

Among other things, the absolute finality rule encourages wasteful procedural maneuvering, allows an adjudged infringer a second chance at proving invalidity, and threatens separation of powers by allowing an administrative agency to effectively nullify court judgments. Consequently, the merits of the absolute finality rule deserve close scrutiny. This part provides that normative analysis. It begins by discussing the separation of powers concerns raised by the absolute finality rule and critiquing, from a doctrinal perspective, the Federal Circuit decisions embracing that rule. It then evaluates the rule from a policy perspective and considers alternative ways that courts could resolve or avoid conflicts with the PTO.

A. Separation of Powers

The absolute finality rule does not necessarily violate Supreme Court case law on separation of powers, despite arguments to the contrary by at least one Federal Circuit judge.[[257]](#footnote-257) But because the rule allows a PTO decision to alter a decision by an Article III court, separation of powers concerns cannot be ignored and provide a good starting point for a normative analysis of the absolute finality rule.

Separation of powers doctrine prohibits the branches of the federal government from “encroaching on the central prerogatives” of one another.[[258]](#footnote-258) Because, under Article III, the federal courts alone possess “the judicial Power of the United States,”[[259]](#footnote-259) the Supreme Court has held that final judgments of Article III courts cannot be overturned by other branches of government. In *Plaut v. Spendthrift Farm, Inc.*, for instance, the Supreme Court held unconstitutional a federal statute that attempted to reinstate securities fraud claims that a federal district court had previously held to be time barred.[[260]](#footnote-260) The Court reasoned that Article III “gives the Federal Judiciary the power, not merely to rule on cases, but to *decide* them, subject to review only by superior courts in the Article III hierarchy.”[[261]](#footnote-261) In a parallel line of cases dating back to the eighteenth centurythe Supreme Court has confirmed that officials in the executive branch (which includes the PTO) may not review on appeal the decisions of Article III courts. In its 1792 opinion in *Hayburn’s Case*, for example, the Court ruled that Congress could not authorize the federal courts to determine whether Revolutionary War veterans were eligible for a federal pension when, under the pension statute, those determinations were subject to review by the Secretary of War.[[262]](#footnote-262)

In contrast to these decisions forbidding Congress and the executive branch from reviewing or altering the decisions of Article III courts, the Supreme Court has allowed Congress to prospectively modify the effect of injunctions entered by the federal courts. In *Miller v. French*, for instance, the Court upheld the constitutionality of a provision of the Prison Litigation Reform Act (PLRA) that automatically stayed a previously entered injunction upon the defendant’s filing of a motion to terminate that injunction.[[263]](#footnote-263) In distinguishing *Plaut*, which struck down a statute reinstating previously dismissed securities fraud claims, the Court emphasized a distinction between injunctions and judgments in suits seeking money damages.[[264]](#footnote-264) Legislative reopening of a judgment in a suit seeking damages is not permissible, the Court explained, because that judgment is the “‘last word of the judicial department.’”[[265]](#footnote-265) Legislative alteration of injunctions, by contrast, is permissible because there has been no “final” court decision—a court always retains authority to modify an injunction.[[266]](#footnote-266)

Although the Federal Circuit’s recent decisions in *Fresenius* and *ePlus* could be characterized as allowing the executive branch to impermissibly overturn a court judgment in a lawsuit seeking damages,[[267]](#footnote-267) those Federal Circuit decisions can be distinguished from the Supreme Court’s decisions in *Plaut* and *Hayburn’s Case*, which disapproved of statutes on separation of powers grounds. In *Plaut*, Congress sought to overturn a final, litigation-ending judgment entered by a district court. By contrast, in Federal Circuit cases such as *Fresenius* and *ePlus*, the district court had not entered a litigation-ending judgment at the time the PTO post-issuance proceedings concluded. Indeed, if the district court *had* entered such a judgment, that judgment, under the Federal Circuit’s absolute finality rule, would have taken precedence.[[268]](#footnote-268) The absolute finality rule is also consistent with *Hayburn’s Case* and its ban on executive review of judicial decisions. In post-issuance review proceedings, the PTO is not reviewing a court’s decision on patent validity, it is reconsidering its *own* decision to issue the patent.[[269]](#footnote-269)

Yet *Miller*, which upheld the automatic stay provision of the PLRA even though the stay altered the effect of a judgment entered by an Article III court, also does not provide definitive support for the Federal Circuit’s absolute finality rule. The Court in *Miller* approved of legislation altering the scope of prospective injunctive relief but, in both *Fresenius* and *ePlus*, the PTO’s invalidity decisions had the effect of wiping out court awards of retrospective monetary relief. The distinction between injunctions and damages was critical to Court’s reasoning in *Miller*, as the Court acknowledged that *Plaut* forbids Congress or the executive branch from reopening court judgments in lawsuits seeking damages.[[270]](#footnote-270)

In short, all of the patent cases recently confronted by the Federal Circuit can be distinguished from the Supreme Court’s leading decisions on separation of powers. Yet the absolute finality rule, which grants precedence to PTO decisions of invalidity despite district court rulings rejecting challenges to patent validity, is still in tension with the basic policy that the federal courts should have the last word on cases that fall within their jurisdiction. This underlying tension provides a reason to at least be skeptical of the Federal Circuit’s approach, even if it cannot definitively be said that the Federal Circuit’s approach is unconstitutional.

B. Doctrinal Reassessment

Another reason to be skeptical of the Federal Circuit’s absolute finality rule is that the rule is based on several authorities that, contrary to the court’s contentions, do not clearly indicate how to resolve conflicting decisions between a court and the PTO in concurrent proceedings.

*1. The Basis of the Absolute Finality Rule*

In holding that a PTO decision of invalidity takes precedence over a court decision rejecting an invalidity challenge, the Federal Circuit has relied heavily on prior decisions involving inconsistent validity rulings *by two courts*. For instance, the Federal Circuit in *Fresenius* analogized to its prior decision in *Mendenhall v. Barber-Greene Co.*[[271]](#footnote-271)In *Mendenhall*, the Federal Circuit held that a jury verdict of patent invalidity was entitled to issue preclusive effect in another pending court case, even though, in that pending case, the Federal Circuit had already affirmed a judge’s validity decision favoring the patent holder, entered after a bench trial.[[272]](#footnote-272) (To justify its own conflicting rulings, the Federal Circuit emphasized the deferential standard of appellate review for findings of fact and the different identities of the fact finders in the two cases.[[273]](#footnote-273)) The Federal Circuit in *Mendenhall*, as in *Fresenius*, reasoned that there was no “final judgment” in the pending case in which the judge had ruled in the patent holder’s favor on the issue of validity because, despite the Federal Circuit’s previous affirmance on validity, there were matters related to damages still to be resolved.[[274]](#footnote-274)

The requirements of issue preclusion were clearly met in *Mendenhall*: the contested issue in both proceedings (patent validity) was identical, and the patent holder had a full and fair opportunity to litigate that issue in the case finding the patent to be invalid.[[275]](#footnote-275) In cases involving concurrent proceedings in the courts and at the PTO, by contrast, a critical element of issue preclusion is missing because the PTO applies a lower standard of proof than the courts on the question of patent validity. The *Restatement (Second) of Judgments*, for instance, flatly states that preclusion is not appropriate when the party seeking to invoke preclusion “has a significantly heavier burden than he had in the [prior] action,”[[276]](#footnote-276) which is precisely the case when an accused infringer seeks to rely on an invalidity determination by the PTO under the preponderance of the evidence standard in court, where the accused infringer must prove invalidity by clear and convincing evidence. The Federal Circuit has recognized that failure to carry the clear and convincing standard in court does not preclude a later challenge to validity at the PTO due to the lower burden of proof at the PTO.[[277]](#footnote-277) But in cases such as *Fresenius*, the court has not recognized the corollary to that principle: A PTO ruling finding *in*validity by a preponderance of the evidence does not—as a matter of preclusion law—bind the patent holder in a latter court proceeding requiring clear and convincing evidence.

Even if the requirements of issue preclusion are not satisfied, however, no one disputes that, as a general matter, the PTO’s decision to invalidate a patent prohibits the patent holder from pursuing claims of infringement in the future.[[278]](#footnote-278) But that prohibition does not arise from the common law doctrines of preclusion at issue in *Mendenhall*. Rather, under the statutes authorizing post-issuance review, the PTO, once it concludes that a claim is unpatentable and proceedings have concluded, issues a cancelation certificate that has the legal effect of rescinding the relevant patent rights.[[279]](#footnote-279) It is that act of cancelation—not issue preclusion doctrine—that bars the claim of infringement. Thus, *Mendenhall*, which approves of issue preclusion in parallel court proceedings, does not resolve the key question in a case such as *Fresenius*: Does the PTO’s issuance of a cancelation certificate mean that courts must vacate their definitive decisions on validity, infringement, and damages?

The Federal Circuit in *Fresenius*, although it drew on *Mendenhall* and the common law of preclusion as the basis for the absolute finality rule, acknowledged the importance of the PTO’s act of cancelation, noting that it “extinguishes the underlying basis for suits based on the patent” and that, therefore, any pending suit must be dismissed.[[280]](#footnote-280) To support the notion that pending suits must be dismissed, the Federal Circuit cited the Supreme Court’s 1861 decision in *Moffitt v. Garr*, which held that the plaintiff’s surrender of a patent to the PTO required dismissal of a pending suit for infringement.[[281]](#footnote-281) The Court in *Moffitt* noted that patent infringement suits “depend upon the patent existing at the time they were commenced, and unless it exists, and is in force at the time of trial and judgment, the suits fail.”[[282]](#footnote-282) This statement suggesting that the patent must be in force at the time of judgment is perhaps the best support for the absolute finality rule that can be found in Supreme Court case law. Yet the statement is clearly dicta, for the *Moffitt* case had not reached yet a judgment at the time the patent holder surrendered the patent.[[283]](#footnote-283) Rather, the patent holder surrendered his patent less than two months after commencing the suit.[[284]](#footnote-284) In short, *Moffitt* also does not definitively answer the question of whether the PTO’s invalidation of a patent mandates dismissal when the court *has already resolved* the issues of validity and infringement.

In answering that question, the Federal Circuit has also analogized to the Supreme Court’s 1922 decision in *Simmons Co. v. Grier Bros.*[[285]](#footnote-285)but that analogy is likewise unavailing because of numerous changes in patent law, appellate procedure, and preclusion law over the past one hundred years. In *Simmons*, the Third Circuit, in an appeal from an infringement case in the Western District of Pennsylvania, held a patent owned by Simmons to be invalid.[[286]](#footnote-286) But the Supreme Court, in an appeal from a subsequent infringement case filed by Simmons in the Southern District of New York, rejected the defendant’s challenge to patent validity and held the patent to be infringed.[[287]](#footnote-287) After that Supreme Court decision, Simmons sought to reopen infringement proceedings in Pennsylvania.[[288]](#footnote-288) The Third Circuit held that Simmons could not reopen the proceedings, but the Supreme Court reversed.[[289]](#footnote-289) The Court emphasized that the Third Circuit’s original holding of invalidity “did not bring the suit to a conclusion” because a special master had yet to calculate damages on an unfair competition claim that Simmons had joined with its patent infringement claim, noting that “there can be but one final decree in a suit in equity.”[[290]](#footnote-290)

It is a stretch to claim, as the Federal Circuit has, that *Simmons* is controlling in modern cases involving inconsistent validity decisions by a court and the PTO.[[291]](#footnote-291) To begin with, claims seeking damages for patent infringement no longer proceed in equity, and today it is not unusual to have more than one “final” judgment in a case. Federal Rule of Civil Procedure 54(b), mentioned above, allows a court to enter judgment on fewer than all of the claims in a case if there is no just reason for delay.[[292]](#footnote-292) In patent cases specifically, 28 U.S.C. § 1292(c)(2) grants the Federal Circuit appellate jurisdiction over patent infringement judgments that are “final except for an accounting,”[[293]](#footnote-293) meaning that, in those cases, there will essentially be two final judgments, one determining liability for infringement and another setting the amount of damages.[[294]](#footnote-294)

Moreover, when the Supreme Court decided *Simmons*, decisions that did not fully resolve a case, such as the Third Circuit’s ruling of invalidity, were usually not entitled to preclusive effect until the case concluded.[[295]](#footnote-295) The Court in *Simmons* did not base its holding on preclusion doctrine, but, given the stringent finality requirement that prevailed at the time, it is not surprising that the Court found the Third Circuit’s interlocutory ruling of invalidity to be insufficiently conclusive to avoid the effect of the Court’s subsequent ruling in favor of the patent holder. Today, by contrast, the Third Circuit’s decision that the patent was invalid would likely be considered final for preclusion purposes because it definitively resolved that issue as between the parties to the case, even if other issues remained to be decided.[[296]](#footnote-296) Indeed, Simmons’ second suit for infringement, after the Third Circuit’s finding of invalidity, would almost certainly be precluded today under *Blonder-Tongue*, which held that a court decision of invalidity precludes all future claims for infringement.[[297]](#footnote-297)

In short, it is not at all clear that *Simmons* would be decided the same way today, so the Federal Circuit’s suggestion that the case is “controlling . . . authority” is questionable.[[298]](#footnote-298) But we may never know how *Simmons* would be decided today because the creation of the Federal Circuit makes it unlikely that the case’s fact pattern—conflicting decisions by two federal courts of appeal on the validity of the same patent—will ever recur.

*2. Issue Preclusion Finality*

To summarize the argument thus far: None of the authorities on which the Federal Circuit has relied provide lock tight support for its holding that, so long as any issue remains to be determined in a court case, a PTO decision of invalidity takes precedence over a court decision rejecting a validity challenge. In several dissenting opinions, Judges Newman and O’Malley have identified a doctrine they believe conclusively shows that the absolute finality rule is wrong. Specifically, they have argued that case law discussing the finality requirement of issue preclusion doctrine answers the question of when a court decision is immune from the effects of a PTO decision of invalidity.[[299]](#footnote-299) Although the Federal Circuit’s absolute finality rule is certainly in tension with the flexible notions of finality that prevail under modern preclusion doctrine, issue preclusion principles also do not definitively indicate how to mediate conflicting decisions between a court and the PTO on the validity of a single patent.

To be sure, Judges Newman and O’Malley are correct about the content of modern preclusion doctrine. Traditionally, finality for issue preclusion purposes was similar to the finality required for a judgment to be appealable. The order had to end the litigation on the merits and leave nothing for the court to do but execute the judgment.[[300]](#footnote-300) Thus, in *Fresenius*, the majority was able to claim that “‘[a]n order that establishes liability but leaves open the question of damages or other remedies . . . [is] not final for purposes of preclusion under *traditional* analysis.’”[[301]](#footnote-301)

Today, however, finality is typically applied “less strictly for preclusion purposes than for purposes of appeal.”[[302]](#footnote-302) The leading case drawing this distinction is Judge Friendly’s opinion for the Second Circuit in *Lummus Co. v. Commonwealth Oil Refining Co.*, which noted:

Whether a judgment, not “final” in the sense of [being appealable], ought nevertheless be considered “final” in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review. “Finality” in the context here relevant may mean little more than that the litigation of a particular issue has reached such a stage that a court sees no really good reason for permitting it to be litigated again.[[303]](#footnote-303)

Accordingly, an order that definitively establishes liability but leaves open remedial questions such as the amount of damages or the precise terms of an injunction is usually entitled to preclusive effect on the issue of liability, even if the case is still ongoing.[[304]](#footnote-304)

Under this modern, flexible conception of finality, the district court rulings on validity and infringement that the Federal Circuit overturned in *Fresenius* and *ePlus* were, as Judges Newman and O’Malley argued, final for preclusion purposes before the PTO proceedings concluded. In *Fresenius*, the court proceedings on validity and infringement effectively concluded when the Federal Circuit affirmed the district court’s ruling in favor of Baxter (the patent holder) on those issues and the Supreme Court denied certiorari from that ruling. Although the Federal Circuit remanded the case for further proceedings related to ongoing royalties and the injunction, for issue preclusion purposes, the court rulings on validity and infringement were final more than two years before the Federal Circuit affirmed the PTO decision invalidating Baxter’s patent claims.[[305]](#footnote-305) Likewise, in *ePlus*, validity and infringement were resolved in the first appeal, which concluded ten months before the Federal Circuit affirmed the PTO’s invalidity decision.[[306]](#footnote-306)

Issue preclusion, however, is not the relevant doctrine in cases involving conflicting decisions between the courts and the PTO. As noted, the courts and the PTO apply different burdens of proof on the issue of validity, which defeats a key requirement for issue preclusion.[[307]](#footnote-307) Moreover, the finality requirement for issue preclusion ensures that *the decision to be given preclusive effect* is sufficiently conclusive to forestall relitigation. In cases such as *Fresenius* and *ePlus*, however, the Federal Circuit’s finality analysis has focused on the court’s decision in infringement litigation, which does not forestall proceedings in the PTO. Indeed, it is relatively uncontroversial that the PTO can continue post-issuance review even after a court rejects a validity challenge.[[308]](#footnote-308) Rather, if any decision could be characterized as being given “preclusive” effect in cases such as *Fresenius* and *ePlus*, it is the *PTO’s* decision to invalidate the patent, which, under the absolute finality rule, forestalls continued litigation of the infringement claims in court. But because the court decision is not being assessed for its preclusive effect, its finality for issue preclusion purposes is arguably irrelevant.

Still, the basic policies of efficiency and repose that undergird preclusion doctrine support the argument that the absolute finality rule is too inflexible.[[309]](#footnote-309) Infringement defendants such as Fresenius and Lawson had a full and fair opportunity to litigate the issues of validity and infringement, all the way through appeal. And they lost. But issue preclusion doctrine does not itself resolve whether a district court ruling rejecting a validity challenge should stand despite the PTO’s conclusion that the patent is invalid.

*3. Law of the Case*

Unlike the cases on which the Federal Circuit’s majority opinions have relied and unlike the issue preclusion doctrine invoked by Judges Newman and O’Malley, the doctrine of law of the case addresses the precise question with which the Federal Circuit has struggled in its recent decisions: Should a court reconsider a prior ruling in light of an intervening event, such as the PTO’s invalidation of a patent? Under the law of the case doctrine, a decision on a particular issue should be followed in all subsequent proceedings in the same case unless “exceptional circumstances” exist.[[310]](#footnote-310) For instance, if a prior decision “was clearly erroneous” and to adhere to it “would work a manifest injustice,” reconsideration of that decision may be warranted.[[311]](#footnote-311) The decision to depart from the law of the case is a matter of discretion,[[312]](#footnote-312) and as long as a case remains pending, the court has the power to alter its earlier rulings.[[313]](#footnote-313)

Law of the case is a common law doctrine. It is perhaps most akin to stare decisis,[[314]](#footnote-314) but instead of ensuring decisional consistency from one case to another, law of the case ensures decisional consistency within a particular case. Under both doctrines, a prior decision is persuasive but not necessarily binding on the court that rendered it.[[315]](#footnote-315) Under law of the case doctrine, a court is justified in reconsidering its prior decision if the relevant law or facts have changed since the prior decision.[[316]](#footnote-316) Thus, law of the case plainly offers a court discretion to depart from a prior ruling rejecting a challenge to patent validity when, since that prior decision, the PTO has invalidated the patent—a critically important change in factual circumstances.

Remarkably, several cases the Federal Circuit has cited in developing its absolute finality rule support the idea of resolving conflicts between the courts and the PTO via law of the case doctrine. *Luminous Unit Co. v. Freeman-Sweet Co.*, a Seventh Circuit case cited in *Fresenius*, provides one example.[[317]](#footnote-317) In that case, the trial court found a patent to be infringed and rejected the infringer’s argument that the patent was invalid.[[318]](#footnote-318) The Seventh Circuit affirmed on the issues of validity and infringement and remanded for an accounting of damages.[[319]](#footnote-319) Meanwhile, the patent holder had surrendered the infringed patent to the PTO and obtained a reissue patent.[[320]](#footnote-320) When the trial court learned of the surrender, it vacated its prior decision on validity, refusing to be bound by that decision as the law of the case.[[321]](#footnote-321) The Seventh Circuit affirmed, noting that law of the case is “not an inexorable rule, and should not be applied where the law as announced is clearly erroneous, and establishes a practice which is contrary to the best interests of society, and works a manifest injustice.”[[322]](#footnote-322) The court noted that when the plaintiff surrendered the patent it “lost its right to prosecute its pending suit to final decree” and that, despite the prior ruling in favor of the patent holder on the issue of validity, “it became the duty of the court to dismiss the suit.”[[323]](#footnote-323)

Likewise, in *Mendenhall*, the Federal Circuit preclusion case that was central to the court’s adoption of the absolute finality rule in *Fresenius*, the court addressed in dicta an alternative argument grounded in law of the case. Specifically, the patent holder argued that the Federal Circuit’s previous ruling rejecting the validity challenge was the law of the case and therefore immune from reconsideration despite the subsequent ruling of invalidity in another case.[[324]](#footnote-324) But the Federal Circuit disagreed, noting that the subsequent ruling of invalidity qualified as “an exceptional circumstance” warranting reconsideration of the earlier ruling rejecting a validity challenge.[[325]](#footnote-325)

Although the Federal Circuit has not relied on the law of the case doctrine in its recent decisions involving conflicting rulings between a court and the PTO, it is possible to recast the absolute finality rule in law of the case terms. Specifically, the Federal Circuit’s opinions in cases such as *Fresenius* could be read as holding that a PTO decision of invalidity is *always* an exceptional circumstance that warrants overturning a prior court decision rejecting a validity challenge in a pending case. Yet the law of the case doctrine is directed toward the court’s sound discretion and encourages the court to consider whether departing from a prior ruling would be fair or efficient.[[326]](#footnote-326) Those considerations are wholly absent from the Federal Circuit’s recent opinions. If the court were to ground its analysis in law of the case doctrine, rather than relying on arguably inapposite case law, it would be forced to engage considerations of fairness and litigation efficiency, and an alternative to the absolute finality rule might emerge.

C. Fairness

Under the law of the case doctrine, a court can depart from its prior ruling if it would be manifestly unfair to adhere to it. Applying fairness concerns to cases involving conflicting decisions on patent validity by the courts and the PTO is difficult. On one hand, considerations of fairness suggest that accused infringers should be allowed to invoke PTO decisions of invalidity at practically any point in the case to protect them from paying damages on a now-invalidated patent.[[327]](#footnote-327) After all, the PTO’s invalidity determination is essentially a concession that the patent never should have issued in the first place, so it seems logical to give that determination retroactive effect. That is precisely what happened in *Fresenius* and *ePlus* due to the absolute finality rule. In both cases, court proceedings on validity were concluded, but the accused infringers were able to rely on the PTO’s decision of invalidity to overturn the court’s judgment in favor of the patent holder.

On the other hand, the absolute finality rule can give accused infringers two chances to prove invalidity, which itself seems unfair. Fresenius, for instance, sought reexamination only after an adverse ruling on summary judgment.[[328]](#footnote-328) Yet the Federal Circuit approved that maneuver, allowing Fresenius to rely on the PTO’s eventual decision of invalidity to void the court’s finding of infringement and award of damages. Those who think that the PTO issues too many “bad” patents (that is, patents on inventions that represent only marginal improvements in the state of the art) might have no problem with allowing patent challengers multiple chances to invalidate a particular patent.[[329]](#footnote-329) And indeed, the Supreme Court has often touted the public interest in facilitating validity challenges to questionable patents.[[330]](#footnote-330) Yet, from a procedural perspective, giving a party the opportunity to twice litigate a single issue is unusual. In *Blonder-Tongue*, for example, the Supreme Court eliminated the requirement of mutuality as a prerequisite to preclusion because it was untenable “to afford a litigant more than one full and fair opportunity for judicial resolution of the same issue.”[[331]](#footnote-331) And in *Parklane Hosiery Co. v. Shore* the Court approved of non-mutual offensive issue preclusion precisely because the defendants had “received a ‘full and fair’ opportunity to litigate their claims” in an earlier case.[[332]](#footnote-332) That said, because of the different standards of proof and claim construction in court and at the PTO, preclusion does not operate between the courts and the PTO, even if both tribunals are deciding what appears to be the same issue—patent validity. So, even though at first blush it may seem unfair to give a patent holder two chances to prove invalidity, the legal doctrine that normally prohibits repeated litigation—preclusion doctrine—does not disprove of repeat litigation in the court-PTO context.

Fairness concerns thus cut in many different ways. In an attempt to find some direction, an observation by Brainerd Currie seems instructive. “[T]he first lesson one must learn on the subject of res judicata,” he wrote, “is that judicial findings must not be confused with absolute truth.”[[333]](#footnote-333) On that view, a PTO ruling of invalidity that follows a court ruling rejecting a validity challenge does not necessarily indicate that the court was wrong, nor does it prove that the asserted patent is definitely invalid in some ontological sense. Because courts construe patent claims more narrowly than the PTO and presume patents to be valid, it is harder to invalidate a patent in court than it is to invalidate a patent at the PTO. More than anything else, then, inconsistent court and PTO decisions: (a) reflect these different legal regimes and (b) suggest that reasonable minds can differ about the patent’s validity—a fact that is not surprising in disputes that twice reach a decision by an adjudicative body.

If a patent’s validity is inherently uncertain, allowing an accused infringer multiple opportunities to invalidate it risks giving the proceedings “the aura of [a] gaming table,” which the Supreme Court warned against in *Blonder-Tongue*.[[334]](#footnote-334) The Court acknowledged that “neither judges, the parties, nor the adversary system performs perfectly in all cases,” and that, accordingly, “the requirement of determining whether the party against whom an estoppel is asserted had a full and fair opportunity to litigate is a most significant safeguard.”[[335]](#footnote-335) These considerations arguably favor an approach that limits accused infringers to one opportunity to litigate patent validity. But, unfortunately, they do not answer the important question of *where* that one validity challenge should occur: in court or at the PTO?

To understand why that question is important, consider a potential infringer who files a lawsuit seeking a declaratory judgment of invalidity and loses. Under the principle of “one full and fair opportunity to litigate validity,” there is a strong argument that that potential infringer, having chosen to litigate validity in court and lost, should not be permitted a second chance to litigate validity by seeking review at the PTO. But the question is harder when the infringer has not filed a declaratory judgment suit but has instead been sued for infringement. Congress has affirmatively created two tribunals with the power to evaluate patent validity—the courts and the PTO. Given that institutional reality, it is not clear that the accused infringer, in exercising its one full and fair opportunity to litigate validity, should be bound by the patent holder’s choice of forum. Rather, the existence of parallel regimes for reviewing patent validity might suggest that both patent holders and accused infringers have equally strong claims to the right to choose the forum.[[336]](#footnote-336) Thus, even if fairness considerations suggest that an accused infringer should have only one opportunity to challenge validity, those considerations do not tell us in which forum that challenge should occur. Consequently, fairness considerations do not seem to provide a definitive answer as to which of two conflicting decisions on patent validity, a court’s or the PTO’s, should take precedence.

D. Litigation Efficiency

Considerations of litigation efficiency and judicial economy are also relevant to a court’s decision, under the law of the case doctrine, whether to exercise the discretion to depart from a prior ruling.[[337]](#footnote-337) Limiting an accused infringer to one opportunity to litigate validity certainly conserves the resources of the courts and the PTO. Allowing a later PTO ruling to trump a court decision, by contrast, incentivizes patent challengers to pursue duplicative proceedings, even though the court proceedings may ultimately prove to have been unnecessary. The wasted resources can be substantial. The infringement litigation in *Fresenius*, for instance, spanned ten years, two jury trials, and two appeals before the Federal Circuit dismissed the case. The infringement litigation in *ePlus* spanned five years, a jury trial, contempt proceedings, and two appeals before the Federal Circuit dismissed it.

One might assert that these “wasted” resources were actually sunk costs at the time the Federal Circuit was considering whether to vacate the court judgments in light of the PTO’s rulings of invalidity. Under that line of reasoning, these prior expenses should not factor into a normative critique of the Federal Circuit’s decisions. The absolute finality rule adopted in *Fresenius*, however, also creates incentives for litigants to engage in wasteful behavior in future cases. Not only does it encourage patent challengers to pursue duplicative proceedings, it deters settlement of litigation. Specifically, the absolute finality rule incentivizes defendants in patent infringement litigation, particularly those who appear likely to lose the court case, to drag out court proceedings as long as possible so PTO review can run its course.

The parties’ actions in the *Versata* litigation illustrate that dynamic. After the first Federal Circuit decision in the infringement case, which affirmed the district court’s ruling in the patent holder’s favor on the issues of validity and infringement, SAP, the accused infringer, sought rehearing en banc in the Federal Circuit, obtained an extension of time in which to file its petition for a writ of certiorari, filed the petition, and then, upon return to the district court, sought a stay in light of the PTAB decision invalidating the patent. This is not to criticize SAP—its lawyers did *exactly* what they should have done in light of the absolute finality rule. And it is certainly not to say that the absolute finality rule is the *only* reason a losing defendant in infringement litigation might drag its feet. For instance, prejudgment and postjudgment interest rates are sufficiently low that defendants generally prefer to delay entry of and payment on the judgment.[[338]](#footnote-338) Rather, it is merely to suggest that the absolute finality rule creates an *additional* incentive for defendants to prolong litigation and to refuse settlement.

For a patent holder who is victorious in infringement litigation but then faces an adverse decision from the PTO, the absolute finality rule has the opposite effect, encouraging the patent holder to do everything it can to expedite final resolution of the case, including sacrificing a remedy to which a court has held it is legally entitled. In *Versata*, for instance, the patent holder abandoned its demand for an injunction so that the infringement litigation would conclude before the PTO’s covered business method review.[[339]](#footnote-339) Baxter, for its part, probably wishes it had taken a similar course in its litigation with Fresenius. If Baxter had waived its right to on-going royalties on remand from the Federal Circuit’s first decision, that waiver would have ended the infringement case before the PTO invalidated the patent, securing Baxter’s right to over $14 million in past damages.[[340]](#footnote-340) Thus, although the absolute finality rule can encourage a patent holder to settle its claims, it can do so at substantial cost, forcing the patent holder to abandon a remedy to which a court has held it is legally entitled.

E. Absolute Finality Versus the Alternatives

The absolute finality rule is, in short, an imperfect way of resolving conflicting decisions by the courts and the PTO. Yet the primary alternative available to the Federal Circuit—immunizing district court proceedings from the effects of PTO review once validity has been fully litigated in court, as Judges Newman and O’Malley would have it—is also problematic because it forces infringers to pay damages on patents that have been invalidated by the PTO.

As long as both the courts and the PTO possess independent power to invalidate a single patent, conflicting decisions will occur. No rule of finality adopted by the Federal Circuit will eliminate those conflicts, it will only change which of the decisions take precedence. Under the absolute finality rule, PTO decisions will usually prevail because they can be used to abrogate court rulings even at very late stages of the court case. If the Federal Circuit or the Supreme Court overturns the absolute finality rule and limits infringers to one opportunity to fully litigate validity, court rulings will likely take precedence more often because, as the prolonged remedial proceedings in *Fresenius*, *Versata*, and *ePlus* illustrate, the issue of validity can be resolved long before a court case reaches a final resolution.[[341]](#footnote-341)

Congress could reduce or eliminate conflicting decisions by making various changes to the parallel proceedings, and those legislative possibilities are considered below. For now, the most effective option for reducing conflicts is for courts to judiciously use their power to stay litigation in light of post-issuance proceedings at the PTO.[[342]](#footnote-342) (Under current law, having *the PTO* stay proceedings pending litigation is not possible.[[343]](#footnote-343)) The absolute finality rule, for all its shortcomings, provides a strong incentive for district courts to stay litigation because their decisions do not become “final” until every single remedial issue is resolved. *Fresenius* is commonly cited by district courts as a reason to justify staying an infringement case.[[344]](#footnote-344) And, as noted, district courts now grant about eighty percent of requests to stay litigation pending instituted inter partes review.[[345]](#footnote-345) A rule that rendered court decisions final at an earlier stage, such as the rule preferred by Judges Newman and O’Malley, would provide less of an incentive to stay litigation and, consequently, would likely result in more conflicts between the courts and the PTO. Moreover, the absolute finality rule encourages accused infringers to seek post-issuance review relatively quickly after being sued for infringement, so that the PTO proceedings finish as soon as possible and then preempt any court decision. As noted, courts are more inclined to grant stays when PTO review is sought early in the case, and, if the PTO proceedings invalidate the patent, the end result is likely less costly than litigation would have been. Thus, despite its flaws, the absolute finality might be the best option under current law for mediating conflicting decisions between the courts and the PTO.

IV. The Future of Absolute Finality

Although the courts have limited options for adapting to parallel regimes for reviewing patent validity, Congress has more wide-ranging power to harmonize proceedings in court and at the PTO.

A. Court-PTO Conflicts After the America Invents Act

Some participants in the patent system have argued that Congress has, in fact, already addressed the issue of conflicting decisions between the courts and the PTO and that, accordingly, the absolute finality rule will not matter in the future.[[346]](#footnote-346) The most notable way in which the AIA helps avoid conflict is by requiring the post-issuance proceedings it created (inter partes review, post-grant review, and covered business method review) to conclude, in most cases, within one year of the PTAB’s decision to institute.[[347]](#footnote-347) Because district court patent cases usually do not conclude that quickly (unless the parties settle), the PTO will often finish its post-issuance review before the court proceedings are complete, even if the court proceedings are not stayed.[[348]](#footnote-348)

But the one-year time limit on PTO review does not eliminate all possibility of conflict. To begin with, a defendant in patent infringement litigation can wait as long as a year after the complaint is filed to petition for inter partes review,[[349]](#footnote-349) and a petition for covered business method review can be filed almost any time after the complaint is filed.[[350]](#footnote-350) Likewise, a petitioner in inter partes review who is *not* a defendant in infringement litigation can also can file its petition at any time.[[351]](#footnote-351) Further extending the timeline, the patent holder has three months to respond to the petition,[[352]](#footnote-352) and the PTAB will not act on a petition until it receives that response.[[353]](#footnote-353) In addition, the PTAB can for good cause extend the one-year time limit for conducting the review.[[354]](#footnote-354) Finally, as discussed above, PTO proceedings are not sufficiently final to justify abrogating a district court decision until the Federal Circuit affirms the PTO’s invalidity decision, which can take the better part of an additional year.[[355]](#footnote-355) Thus, in at least some cases, post-issuance proceedings will conclude two or three years after an infringement complaint is filed, which is plenty of time for a court to issue a conflicting decision on patent validity, particularly in judicial districts that process patent cases relatively quickly.[[356]](#footnote-356)

Likewise, contrary to some suggestions,[[357]](#footnote-357) the AIA’s estoppel provisions will not prevent conflicting decisions between the courts and the PTO. As discussed above, those provisions prevent accused infringers from pursuing arguments in court that they have already pursued or, in some cases, could have pursued, before the PTAB.[[358]](#footnote-358) But the estoppel provisions are irrelevant if, as commonly occurs in cases that result in conflicting decisions, the accused infringer loses first in court and wins later at the PTAB. Under the AIA, a loss in court has no estoppel effect at the PTAB.

Finally, but perhaps most importantly, the AIA leaves unaffected ex parte reexamination, which was the PTO proceeding at issue in *Fresenius* and *ePlus*. Ex parte reexamination remains available after the AIA and, thanks in part to the absolute finality rule, it will likely remain an attractive option for at least some accused infringers.[[359]](#footnote-359) Unlike inter partes review, which an accused infringer must seek within a year of being sued for infringement, ex parte reexamination can be requested at any time.[[360]](#footnote-360) And there are no statutory estoppel provisions. Ex parte reexamination thus allows an accused infringer to adopt a wait-and-see approach toward litigation: if the accused infringer proves invalidity in litigation, there is no need for review by the PTO; if litigation is not going well, it can request ex parte reexamination. That is basically the strategy Fresenius employed in its litigation with Baxter, seeking reexamination only after an adverse ruling on summary judgment.[[361]](#footnote-361) And the Federal Circuit’s holding in that case ensures that, so long as the accused infringer can string out the litigation for a sufficiently long time, the infringer will be able to invoke any favorable decision by the PTO.

To be sure, most cases involving parallel proceedings in court and at the PTO will not result in conflicting decisions on patent validity. Litigation is often stayed, or PTO proceedings conclude before any decisive court ruling on validity, or the parties simply settle. And, despite the opportunity for gamesmanship presented by ex parte reexamination, many accused infringers will choose inter partes review because it provides an opportunity to participate in the proceedings and it is more likely than ex parte reexamination to lead to outright invalidation of the patent. Still, because ex parte reexamination remains available, and because post-issuance proceedings under the AIA will not always conclude before district court litigation, the problem of conflicting court and PTO decisions will likely continue to arise, even after the AIA.

B. Legislative Solutions

The question remains whether there is any way to fully eliminate conflicting decisions between the courts and the PTO without causing undue harm to the patent system. The surest way to eliminate conflicting decisions would be to force litigants into a single forum. This reform has already been partly realized through frequent judicial stays of litigation pending post-issuance review. But, as discussed, courts do not invariably grant stay motions and they are particularly reluctant to grant stays pending ex parte reexamination,[[362]](#footnote-362) so the courts themselves are unlikely to fully eliminate conflicting decisions on patent validity.

One way in which Congress could force litigants into a single forum would be to adopt a regime of staged adjudication in which one body, either the courts or the PTO, would decide all of the issues within its authority before the other body is allowed to proceed.[[363]](#footnote-363) Given the political reality favoring expansion of PTO proceedings and the Seventh Amendment guarantee of a jury trial on the issue of infringement,[[364]](#footnote-364) the most plausible model of staged adjudication would require the parties to first litigate all validity and enforceability issues at the PTO before moving on to court proceedings on infringement and damages.[[365]](#footnote-365)

Assigning all validity issues to the patent office may be a good thing from the perspective of institutional design, for the PTO has expert examiners and administrative patent judges who may be better equipped than a federal district judge or a jury to expeditiously resolve the issue of patent validity.[[366]](#footnote-366) The notion of essentially referring questions of validity to the PTO mirrors John Duffy’s proposal that courts invoke administrative law’s primary jurisdiction doctrine to obtain an authoritative claim construction from the agency.[[367]](#footnote-367)

Shifting validity proceedings entirely to the PTO, however, would be a drastic change, as courts have had the power to issue validity rulings since Congress passed the very first Patent Act in 1790.[[368]](#footnote-368) Staging adjudication of patent cases would also impose costs, both on patent owners and the public. For patent owners, staging would delay enforcement of the patent and grant the accused infringer additional leverage in negotiating a settlement on favorable terms. For the public, shifting all validity proceedings to the PTO would likely require an increase in the PTO’s resources, most notably, the hiring of additional administrative patent judges.[[369]](#footnote-369) (Recall that the only grounds for invalidity that the PTAB may currently consider in inter partes review are anticipation and obviousness; it cannot consider other important issues such as patentable subject matter under § 101 of the Patent Act, the disclosure requirements imposed by § 112, or unenforceability defenses such as inequitable conduct.[[370]](#footnote-370)) The PTO has already grown substantially in recent years, and it is not clear whether this bureaucratic expansion is sustainable.[[371]](#footnote-371)

In short, there are reasonable arguments both in favor of shifting all validity proceedings to the PTO and in favor of the status quo, in which the PTO has the ability to decide some (but not all) issues of validity and in which the courts often (but not always) stay litigation pending PTO review. The elimination of conflicting decisions might be one additional consideration in favor of shifting all validity proceedings to the PTO but, again, because conflicting decisions occur in only a subset of cases, that consideration should probably not be dipositive on this complex question of institutional design.

But that does not mean Congress should simply ignore the problem of conflicting court and PTO decisions. After all, it is a problem Congress created when it enacted post-issuance review. One step Congress might consider is strengthening the estoppel provisions that govern the relationship between litigation in court and post-issuance review at the PTO. Under the AIA, estoppel flows only one way: proceedings at the PTAB can prohibit the patent challenger from raising certain arguments in later litigation,[[372]](#footnote-372) but a patent challenger who unsuccessfully raises an invalidity argument in court can still pursue that argument at the PTAB. Accordingly, one might suggest that a court decision rejecting a validity challenge should bind the patent challenger in any on-going or future proceedings at the PTAB. That said, as noted above, the patent challenger may not have chosen to litigate first in court, as opposed to the PTO, and given that lack of choice, it might be unfair to bind a patent challenger to the court’s decision.

Moreover, it would be difficult if not impossible to apply any sort of estoppel against patent challengers who seek to institute ex parte reexamination. Under the Patent Act, the petitioner in those proceedings has the option to remain anonymous.[[373]](#footnote-373) Although Congress could eliminate that option, anonymity serves a reasonable purpose, as it allows a potential infringer to challenge a patent without making itself the target of an infringement suit. More fundamentally, the petitioner is not technically a party to an ex parte reexamination, meaning that due process could prohibit any effort to impose estoppel.[[374]](#footnote-374) Of course, Congress could always eliminate ex parte reexamination altogether, but that may be bad policy. Ex parte reexamination, because it does not allow the challenger to participate, can be a cheaper option for those who cannot afford the adversarial proceedings created by the AIA. One modest change to ex parte reexamination that Congress might consider is imposing on defendants who are sued for infringement a time limit for requesting reexamination, similar to the one-year time limit imposed by the AIA. A time limit on requesting ex parte reexamination would restrict the accused infringer’s ability to take a wait-and-see approach to the litigation, as occurred in *Fresenius*.

The aim of reducing conflicting court and PTO decisions also lends support to a sensible reform pending in Congress that would require the courts and the PTO to apply the same claim construction standards when reviewing the validity of an issued patent. Aligning those standards could help avoid conflicting rulings on validity,[[375]](#footnote-375) although, because conflicting decisions are often due to differing factual records and burdens of proof,[[376]](#footnote-376) it would probably not eliminate them.

The Federal Circuit, in a deeply divided decision, recently refused to reconsider en banc its holding that the broadest reasonable construction standard, not the narrower standard used in district court litigation, applies in AIA proceedings.[[377]](#footnote-377) But both the House and the Senate are considering bills that would overturn that holding and instead require the PTAB to construe claims in the same manner as district courts.[[378]](#footnote-378) Applying the same standard would be consistent with Congress’s oft-stated belief that post-issuance review proceedings, and in particular the new proceedings created by the AIA, are substitutes for district court litigation over patent validity.[[379]](#footnote-379) It would also better account for the difficulty of amending patent claims during AIA proceedings.[[380]](#footnote-380)

Congress could also increase consistency between district court litigation and post-issuance review at the PTO by requiring both tribunals to apply the same burden of proof on the question of patent validity. For instance, one proposal pending in Congress would require the PTO to apply the clear and convincing evidence standard that applies in court litigation over validity.[[381]](#footnote-381) That proposal, however, is harder to justify as a matter of institutional design. The clear and convincing standard that applies in litigation, is effectively a form of judicial deference to agency decisionmaking.[[382]](#footnote-382) But it makes little sense to say that a three-judge panel of the PTAB conducting inter partes review should defer to a prior decision by a single examiner to issue the patent.[[383]](#footnote-383)

Another option for aligning the burdens of proof would be to eliminate the presumption of validity altogether and have both the courts and the PTO apply a preponderance standard. But it may be too drastic to lower the burden of proof in all patent cases merely to solve the episodic problem of conflicting court and PTO rulings on validity. A thorough analysis of any proposal to eliminate the presumption of validity would also need to engage broad considerations about the state of the patent system that are beyond this article’s scope. For instance, if it is true that the PTO issues too many bad patents, then the clear and convincing evidence standard may unduly insulate those patents from invalidity challenges, and there is a strong argument for repealing it.[[384]](#footnote-384) Indeed, the decision to issue a patent, made by a single examiner with limited time to allocate to the task[[385]](#footnote-385) may not be the type of reasoned decisionmaking to which court deference is appropriate.[[386]](#footnote-386) By contrast, if one is skeptical about the ability of a jury to better evaluate patent validity than the supposedly expert examiners at the PTO, then the clear and convincing standard probably makes sense,[[387]](#footnote-387) even if it facilitates occasional conflicts between the courts and the PTO.

Conclusion

As long as both the courts and the PTO are allowed to decide the validity of the same patent, inconsistent decisions will occur and the problem of Schrödinger patents—patents that appear to be both valid and invalid—will persist. Both the Federal Circuit and Congress have, to date, mostly ignored this reality. The Federal Circuit has adopted a bright-line, absolute finality rule that disregards the difficult practical and policy questions that conflicting decisions implicate. Congress, for its part, has consistently expanded post-issuance review at the PTO by emphasizing the speed and efficiency of administrative adjudication[[388]](#footnote-388) while ignoring the costs of having two different forums review the validity of a single patent.

Because Congress has the ultimate authority to create and abolish these parallel regimes, the courts can only adapt. Under current law, the most effective way for courts to avoid conflict with the PTO is to stay litigation, although that is not the optimal solution in every case. As Congress considers further changes to the law of patent enforcement, the issue of how to better coordinate patent validity disputes should be a central concern.

1. \* Associate Professor, Boston University School of Law. For comments and helpful discussions, thanks to Jonas Anderson, Jack Beermann, Daniela Caruso, Kris Collins, Stacey Dogan, Alan Feld, Wendy Gordon, Mike Harper, Keith Hylton, Rebecca Ingber, Sapna Kumar, Gary Lawson, Mark Lemley, Brian Love, Mike Meurer, Lisa Ouellette, Kevin Outterson, Rachel Rebouché, Greg Reilly, Laura Sheridan, Jake Sherkow, Melissa Wasserman, and Kathy Zeiler. Thanks also to participants at the Patent Conference at the University of Kansas School of Law, the Oklahoma Junior Scholars Conference at the University of Oklahoma College of Law, the Intellectual Property Scholars Conference at DePaul University College of Law, a conference on the PTO and the Courts at Stanford Law School, and a faculty workshop at Boston University School of Law. [↑](#footnote-ref-1)
2. *See* Erwin Schrödinger, *Die* *Gegenwärtige Situation in der Quantenmechanik*, 23 Naturwissenschaften 807 (1935), *translated in* 124 Proceedings of the Am. Phil. Soc’y 323 (1980) (John D. Trimmer trans.). [↑](#footnote-ref-2)
3. In recent years, many scholars have questioned whether the PTO has adequately enforced those requirements. *See, e.g.*, James Bessen & Michael J. Meurer, Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk 161-63 (2008); Michael D. Frakes & Melissa F. Wasserman, *Does the U.S. Patent and Trademark Office Grant Too Many Bad Patents?: Evidence from a Quasi-Experiment*, 67 Stan. L. Rev. 613, 615-17 (2015). [↑](#footnote-ref-3)
4. John R. Allison, Mark A. Lemley & David L. Schwartz, *Our Divided Patent System*, 82 U. Chi. L. Rev. 1073, 1100 (2015) (reporting an invalidity rate of 42.6% in cases filed in 2008 and 2009). On the indeterminate nature of patent rights, see generally Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. Econ. Persp. 75, 75 (2005) (“[A] patent does not confer upon its owner the right to exclude but rather a right to *try* to exclude by asserting the patent in court.”). [↑](#footnote-ref-4)
5. Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313, 350 (1971). [↑](#footnote-ref-5)
6. America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). [↑](#footnote-ref-6)
7. *See* Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, 103 (2014) (reporting that eighty percent of patents involved in inter partes review, the most popular new proceeding created by the America Invents Act, were also involved in litigation). [↑](#footnote-ref-7)
8. *See* Docket Navigator, Year in Review 34 (2014), *available at* http://home.docketnavigator.com/year-review (reporting that motions to stay litigation are granted roughly sixty percent of the time). [↑](#footnote-ref-8)
9. *See* Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988). [↑](#footnote-ref-9)
10. For an analysis of who is likely to prevail in this dispute, see *infra* Part II.C. [↑](#footnote-ref-10)
11. *See* Peter S. Menell et al., Patent Case Management Judicial Guide 2-66 (3d ed. 2015). [↑](#footnote-ref-11)
12. *See* Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 Geo. L.J. 1437, 1461 (2012). [↑](#footnote-ref-12)
13. ePlus, Inc. v. Lawson Software, Inc., 789 F.3d 1349, 1361 (Fed. Cir. 2015); Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1347 (Fed. Cir. 2013). [↑](#footnote-ref-13)
14. Versata Computer Indus. Solutions, Inc. v. SAP AG, 564 F. App’x 600, 601 (Fed. Cir. 2014). [↑](#footnote-ref-14)
15. *See infra* Part III.B.1. [↑](#footnote-ref-15)
16. *See, e.g.*, *Fresenius*, 721 F.3d at 1342-43 (citing Mendenhall v. Barber-Greene Co., 26 F.3d 1573 (Fed. Cir. 1994)). [↑](#footnote-ref-16)
17. Microsoft Corp. v. i4i Ltd. P’ship, 131 S. Ct. 2238, 2242 (2011). [↑](#footnote-ref-17)
18. Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1427 (Fed. Cir. 1988). [↑](#footnote-ref-18)
19. *See, e.g.*, Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for its Money: Challenging Patents in the PTAB*, 91 Notre Dame L. Rev. (forthcoming 2015), *available at* http://ssrn.com/abstract=2572647; Jacob S. Sherkow, *Administrating Patent Litigation*, 90 Wash. L. Rev. 205 (2015). [↑](#footnote-ref-19)
20. *See* Robert C. Casad & Kevin M. Clermont, Res Judicata: A Handbook on Its Theory, Doctrine, and Practice 16-17 (2001); *see also infra* Part III.B.3. [↑](#footnote-ref-20)
21. Ormco Corp. v. Align Tech., Inc., 498 F.3d 1307, 1319 (Fed. Cir. 2007). [↑](#footnote-ref-21)
22. *See, e.g.*, Chi. & S. Air Lines v. Waterman S.S. Corp., 333 U.S. 103, 113-14 (1948); *see also infra* Part III.A (concluding that, because the PTO is not directly reviewing court decisions on validity, the absolute finality rule ultimately does not violate existing case law on separation of powers). [↑](#footnote-ref-22)
23. *E.g.*, Adam B. Jaffe & Josh Lerner, Innovation and Its Discontents: How Our Patent System Is Endangering Innovation and Progress, and What to Do About It 11-13 (2004). [↑](#footnote-ref-23)
24. *Cf.* Stuart Minor Benjamin, *Stepping Into the Same River Twice: Rapidly Changing Facts and the Appellate Process*, 78 Tex. L. Rev. 269, 369 (1999) (studying the analogous question of what an appellate court should do when “confronted with facts that have changed since the trial court made its findings” and concluding that there is “no ideal approach” for resolving the issue). [↑](#footnote-ref-24)
25. *See* Arti K. Rai, *Improving (Software) Patent Quality Through the Administrative Process*, 51 Hous. L. Rev. 503, 536 (2013). [↑](#footnote-ref-25)
26. *See infra* Part IV.B. [↑](#footnote-ref-26)
27. *See, e.g.*, Protecting American Talent and Entrepreneurship (PATENT) Act of 2015, S. 1137, 114th Cong. § 11(a)-(b); Innovation Act, H.R. 9, 114th Cong. § 9(b) (2015). [↑](#footnote-ref-27)
28. *Cf.* *In re* Swanson, 540 F.3d 1368, 1376 (Fed. Cir. 2008) (holding that the PTO could find that a particular prior art reference raised the “substantial new question of patentability” required to institute reexamination even though the courts had previously held that the same prior art reference did not anticipate (and therefore did not invalidate) the challenged patent). [↑](#footnote-ref-28)
29. *See, e.g.*, Ivera Med. Corp. v. Hospira, Inc., --- F.3d ---, No. 2014-1613, 2015 WL 5214621, at \*6 (Fed. Cir. Sept. 8, 2015) (reversing a district court’s grant of summary judgment of invalidity even though the PTO, in the first stage of a reexamination proceeding, had held the patent to be invalid, noting that the examiner did not consider the declarations that, in the Federal Circuit’s view, raised a factual dispute in the court case regarding the patent’s validity). [↑](#footnote-ref-29)
30. The differing legal questions and factual records in the two proceedings also explain why, even though the Federal Circuit hears all appeals from both patent litigation in district court and post-issuance review at the PTO, *see* 28 U.S.C. § 1295(a)(1); 35 U.S.C. § 141(b)-(c), the Federal Circuit itself will not necessarily harmonize conflicting decisions when it reviews them on appeal. [↑](#footnote-ref-30)
31. *See* 35 U.S.C. § 281 (creating the claim for patent infringement); *see also* 28 U.S.C. § 1338(a) (granting the federal district courts exclusive jurisdiction over cases “arising under” the patent laws). If the infringing product is imported into the United States, the patent holder may also seek an exclusion order from the U.S. International Trade Commission (ITC) under section 337 of the Tariff Act. *See* 19 U.S.C. § 1337. The ITC has become a more popular venue for patent disputes in recent years as the courts have made it more difficult to obtain injunctive relief, *see* Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 Cornell L. Rev. 1, 2-3 (2012), but the ITC still hears fewer than one hundred cases per year, U.S. Int’l Trade Comm’n, *Number of Section 337 Investigations Instituted by Year*, http://www.usitc.gov/intellectual\_property/documents/cy\_337\_institutions.pdf, a mere fraction of the over 5,000 cases commenced annually in the federal district courts, Docket Navigator, *supra* note 7, at 5. For a general description of patent litigation at the ITC, see Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 Fla. L. Rev. 529, 534-38 (2009). [↑](#footnote-ref-31)
32. *See* 35 U.S.C. § 282(b)(1) (stating that noninfringement is a defense to a claim of patent infringement). [↑](#footnote-ref-32)
33. *See id.* (stating that unenforceability is a defense to a claim of patent infringement); *see also* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1287 (Fed. Cir. 2011) (en banc) (describing the doctrine of inequitable conduct). [↑](#footnote-ref-33)
34. *See* 35 U.S.C. § 282(b)(2)-(3) (stating that invalidity is a defense to a claim of patent infringement). [↑](#footnote-ref-34)
35. Under the statute, patentable subject matter includes processes, machines, manufactures, and compositions of matter. *Id.* § 101 [↑](#footnote-ref-35)
36. *Id.* [↑](#footnote-ref-36)
37. *Id.* § 102. [↑](#footnote-ref-37)
38. *Id.* § 103. [↑](#footnote-ref-38)
39. *Id.* § 112(a). [↑](#footnote-ref-39)
40. 28 U.S.C. § 2201(a); *see also* MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007) (applying the “actual controversy” requirement to a patent dispute). [↑](#footnote-ref-40)
41. Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313, 317 (1971). A court decision of invalidity also binds the ITC in section 337 proceedings, *see supra* note 30, although ITC decisions donot bind the courts in subsequent litigation. *See* Kumar, *supra* note 30, at 558, 561-63 (citing cases). Accordingly, much like the courts and the PTO can disagree about the validity of a particular patent, the courts and the ITC can also reach conflicting decisions. *See* Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 Harv. J.L. & Tech. 457, 491-98 (2008) (citing examples). For an argument that Congress should grant ITC decisions preclusive effect in federal court, see Kumar, *supra* note 30, at 533. [↑](#footnote-ref-41)
42. *See In re* Constr. Equip. Co., 665 F.3d 1254, 1256 n.3 (Fed. Cir. 2011). [↑](#footnote-ref-42)
43. *See* Taylor v. Sturgell, 553 U.S. 880, 893-94 (2008). For a critique of limits on nonparty preclusion, see Robert G. Bone, *Rethinking the “Day in Court” Ideal and Nonparty Preclusion*, 67 N.Y.U. L. Rev. 193, 196-97 (1992). [↑](#footnote-ref-43)
44. Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) (citation and some internal quotation marks omitted). [↑](#footnote-ref-44)
45. The PTO has long had the authority to reissue patents to cure errors in the original, *see* Grant v. Raymond, 31 U.S. 218, 244 (1832); *see also* 35 U.S.C. § 251 (current reissue statute), but reissue proceedings can be initiated only at the request of the patentee, so they are not particularly useful to potential infringers. *See* Russell E. Levine et. al., *Ex Parte Patent Practice and the Rights of Third Parties*, 45 Am. U. L. Rev. 1987, 2008 (1996). [↑](#footnote-ref-45)
46. *See* 35 U.S.C. § 302. The prior art is all the information relevant to a patent’s claim of originality. It includes not only the patents and printed publications that can provide the basis for reexamination, but other forms of public knowledge, including prior sales and public uses of the invention. *See id.* §§ 102(a), 103. Because the prior art on which the PTO may rely in reexamination is limited to patents and printed publications, many important requirements for patent validity, such as patentable subject matter under § 101 of the Patent Act and adequate disclosure under § 112, cannot be challenged through reexamination. [↑](#footnote-ref-46)
47. H.R. Rep. No. 96-1307, at 3-4 (1980). [↑](#footnote-ref-47)
48. 35 U.S.C. § 303(a). [↑](#footnote-ref-48)
49. *See* U.S. Pat. & Trademark Off., Ex Parte Reexamination Filing Data 1-2 (Sept. 30, 2014) [hereinafter, Ex Parte Reexamination Filing Data], *available at* http://www.uspto.gov/sites/default/files/documents/ex\_parte\_historical\_stats\_roll\_up\_EOY2014. pdf. For criticism of the PTO’s lax application of the “substantial new question of patentability” standard, see Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 Harv. J. L. & Tech. 1, 48-50 (1997). [↑](#footnote-ref-49)
50. Ex Parte Reexamination Filing Data, *supra* note 48, at 1-2. This is down from a pre-AIA high of 787 in 2012. *Id.* at 1. This decrease is likely due in part to the availability of the new inter partes review proceeding, discussed below, and to an increase in filing fees for ex parte reexamination, from $2520 before the America Invents Act, *see* Dennis Crouch, *A Rush to File Ex Parte Reexaminations and Now a Lull*, PatentlyO (Nov. 4, 2012), http://patentlyo.com/patent/2012/11/a-rush-to-file-ex-parte-reexaminations-and-now-a-lull.html, to $12,000 today, *see* Dennis Crouch, *USPTO Fee Change on March 19*, PatentlyO (Mar. 18, 2013), http://patentlyo.com/patent/2013/03/uspto-fee-change-on-march-19.html. [↑](#footnote-ref-50)
51. Ex Parte Reexamination Filing Data, *supra* note 48, at 2. [↑](#footnote-ref-51)
52. *Id.* [↑](#footnote-ref-52)
53. *Id.* [↑](#footnote-ref-53)
54. 35 U.S.C.§ 305. [↑](#footnote-ref-54)
55. *See* Ex Parte Reexamination Filing Data, *supra* note 48, at 1 (reporting an average pendency of 27.8 months and a median pendency of 20.1 months). [↑](#footnote-ref-55)
56. Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501, *repealed by* America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 284, 299-313 (2011); *see also infra* text accompanying notes 70-77. [↑](#footnote-ref-56)
57. H.R. Rep. No. 106-464, at 133 (1999). [↑](#footnote-ref-57)
58. 35 U.S.C. § 314(b)(2) (2006), *repealed by* America Invents Act § 6. [↑](#footnote-ref-58)
59. *See* Kimberly A. Moore, Timothy R. Holbrook & John F. Murphy, Patent Litigation and Strategy 1132-33 (4th ed. 2013); *see also* 35 U.S.C. § 315(c) (2006) (providing that, if the PTO initiated inter partes reexamination and confirmed the claims’ validity, the requester was precluded in litigation from raising any ground for invalidity that the requester “raised or could have raised” during reexamination), *repealed by* America Invents Act § 6. [↑](#footnote-ref-59)
60. *But see infra* text accompanying notes 124-125 (discussing the deference courts sometimes give to ex parte reexamination decisions by the PTO). [↑](#footnote-ref-60)
61. U.S. Patent & Trademark Off., Inter Partes Reexamination Filing Data 1 (Sept. 30, 2013) [hereinafter Inter Partes Reexamination Filing Data], *available at* http://www.uspto.gov/patents/stats/inter\_parte\_historical\_stats\_roll\_up\_ EOY2013.pdf. [↑](#footnote-ref-61)
62. 35 U.S.C. §§ 311(a), 321(a); 37 C.F.R. § 42.300(a). For a succinct overview of the three new proceedings, see Thomas King & Jeffrey A. Wolfson, *PTAB: Rearranging the Face of Patent Litigation*, Landslide, Nov./Dec. 2013, at 19. [↑](#footnote-ref-62)
63. *See* 35 U.S.C. § 6(b)-(c). [↑](#footnote-ref-63)
64. *See* *id.* §§ 316(a), 326(a). [↑](#footnote-ref-64)
65. *See infra* Part IV.A. [↑](#footnote-ref-65)
66. America Invents Act, Pub. L. No. 112-29, § 6(f)(2)(A), 125 Stat. 284, 311 (2011). [↑](#footnote-ref-66)
67. 35 U.S.C. § 321(c). [↑](#footnote-ref-67)
68. *Id.* § 321(b). [↑](#footnote-ref-68)
69. *Id.* § 324(a). [↑](#footnote-ref-69)
70. *See* U.S. Patent & Trademark Off., Patent Trial & Appeal Bd., Statistics 1 (Aug. 31, 2015) [hereinafter PTAB Statistics], *available at* http://www.uspto.gov/sites/default/files/documents/2015-08-31%20PTAB.pdf (reporting that thirteen petitions have been filed). [↑](#footnote-ref-70)
71. In 2014, the PTO received 1310 petitions for inter partes review, 343 requests for ex parte reexamination, 177 petitions for covered business method review (another new AIA proceeding discussed below), and two petitions for post-grant review, for a total of 1832. *See id.*; Ex Parte Reexamination Filing Data, *supra* note 48, at 1. By comparison, in 2011 (the final year before the America Invents Act took effect), the PTO received 759 petitions for ex parte reexamination and 374 petitions for inter partes reexamination, for a total of 1133. *See* Ex Parte Reexamination Filing Data, *supra* note 48, at 1; Inter Partes Reexamination Filing Data, *supra* note 60, at 1. [↑](#footnote-ref-71)
72. 35 U.S.C. § 311(c). [↑](#footnote-ref-72)
73. *Id.* § 311(b). [↑](#footnote-ref-73)
74. *Id.* A finding that a patent is anticipated means that the patent lacks the novelty required by § 102 of the Patent Act. Although aspects of the analysis under § 102 can be complicated, *see, e.g.*, Mark A. Lemley, Essay, *Does “Public Use” Mean the Same Thing It Did Last Year?*, 93 Tex. L. Rev. 1119, 1119-20 (2015), a finding of anticipation basically means that the claimed invention is identically disclosed in the prior art. A finding of obviousness, by contrast, is a finding that the invention, although not identically disclosed, would have been obvious to make based on the prior art and as judged from the perspective of a person with ordinary skill in the art. *See* 35 U.S.C. § 103. [↑](#footnote-ref-74)
75. 35 U.S.C. § 315(b). [↑](#footnote-ref-75)
76. *Id.* § 314(a). [↑](#footnote-ref-76)
77. PTAB Statistics, *supra* note 69, at 8-9. [↑](#footnote-ref-77)
78. *Id.* at 9. [↑](#footnote-ref-78)
79. America Invents Act, Pub. L. No. 112-29, § 18(d)(1), 125 Stat. 284, 331 (2011). [↑](#footnote-ref-79)
80. H.R. Rep. No. 112-98, at 54 (2011). [↑](#footnote-ref-80)
81. *See* America Invents Act § 18(a)(1)(B). [↑](#footnote-ref-81)
82. *Id.* [↑](#footnote-ref-82)
83. *See id.* § 18(a)(1). [↑](#footnote-ref-83)
84. *Id.* § 18(a)(3). [↑](#footnote-ref-84)
85. PTAB Statistics, *supra* note 69, at 8, 10. [↑](#footnote-ref-85)
86. *Id.* at 10. [↑](#footnote-ref-86)
87. *E.g.*, Universal Elecs., Inc. v. Universal Remote Control, Inc., 943 F. Supp. 2d 1028, 1030-31 (C.D. Cal. 2013). [↑](#footnote-ref-87)
88. America Invents Act § 18(b)(1). [↑](#footnote-ref-88)
89. 157 Cong. Rec. S1363-65 (daily ed. Mar. 8, 2011) (remarks of Sen. Schumer). Also, in an exception to the usual rule that only final judgments are appealable, *see* 28 U.S.C. §§ 1291, 1295(a)(1), the covered business method review statute permits immediate appeal of a stay decision to the Federal Circuit, provided that the PTAB has decided to institute covered business method review. America Invents Act § 18(b)(2); *see* Intellectual Ventures II LLC v. JPMorgan Chase & Co., 781 F.3d 1372, 1379 (Fed. Cir. 2015). [↑](#footnote-ref-89)
90. *See* Docket Navigator, *supra* note 7, at 34 (reporting that, out of 467 stay motions decided by district courts in 2014, 265 were granted in full, 30 were granted in part, and 146 were denied, with 26 rulings classified as “other”). [↑](#footnote-ref-90)
91. *See* Love & Ambwani, *supra* note 6, at 103. The eighty percent figure covers 171 motions to stay filed between September 2012 and March 2014 and includes stay motions that were granted only in part. *See id.* at 96, 103 n.39. [↑](#footnote-ref-91)
92. NFC Tech. LLC v. HTC Am., Inc., No. 2:13-CV-1059, 2015 WL 1069111, at \*7 (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation). [↑](#footnote-ref-92)
93. *See, e.g.*, Universal Elecs., Inc. v. Universal Remote Control, Inc., 943 F. Supp. 2d 1028, 1031 (C.D. Cal. 2013) (denying a stay when the accused infringer “did not file its *inter partes* review petitions until almost a year after being served with the complaint”). [↑](#footnote-ref-93)
94. *See, e.g.*, Tire Hanger Corp. v. Mr. Car Guy Concierge Serv. Inc., No. 5:14-cv-549, slip op. at 2 (C.D. Cal. June 16, 2015). [↑](#footnote-ref-94)
95. *See, e.g.*, Courtesy Prods., L.L.C. v. Hamilton Beach Brands, Inc., Civ. No. 13-2012, slip op. at 3 (D. Del. Sept. 1, 2015). [↑](#footnote-ref-95)
96. *See* Robert Greene Sterne, et al., *Reexamination Practice with Concurrent District Court Patent Litigation*, 9 Sedona Conf. J. 53, 61 (2008). Some data suggests, however, that courts grant motions to stay pending ex parte reexamination and motions to stay pending inter partes review at roughly the same rates. *See* Docket Navigator, *Success Rates for Motions to Stay Pending Reexamination*, https://www.docketnavigator.com/stats/reexam (reporting grant rates of roughly sixty percent for both motions to stay pending ex parte reexamination and motions to stay pending AIA proceedings). [↑](#footnote-ref-96)
97. Dennis Crouch, *The Concentrated Market of Patent Jurisdictions*, PatentlyO (Oct. 8, 2015), http://patentlyo.com/patent/2015/10/concentrated-patent-jurisdictions.html. For explorations of the dynamics that have led the Eastern District of Texas, headquartered in the town of Marshall (population 23,523), to become the nation’s leading patent trial court, see J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 651-54 (2015); Daniel Klerman & Greg Reilly, *Forum Selling*, 88 S. Cal. L. Rev. (forthcoming 2015) (manuscript at 9-25), *available at* http://ssrn.com/abstract=2538857. [↑](#footnote-ref-97)
98. Menell et al., *supra* note 10, at 2-68. [↑](#footnote-ref-98)
99. *Id.* [↑](#footnote-ref-99)
100. *See* Jeffrey Kushan, *3 Years of Coordinating Litigation with PTAB Proceedings*, Law360 (Sept. 14, 2015), http://www.law360.com/articles/700323 (reporting that, in the first eight months of 2015, the Eastern District granted five out of seven motions to stay litigation pending instituted inter partes review). [↑](#footnote-ref-100)
101. 35 U.S.C. § 282. [↑](#footnote-ref-101)
102. Microsoft Corp. v. i4i Ltd. P’ship, 131 S. Ct. 2238, 2246 (2011). [↑](#footnote-ref-102)
103. *In re* Etter, 756 F.2d 852, 859 (Fed. Cir. 1985) (en banc). [↑](#footnote-ref-103)
104. *In re* Swanson, 540 F.3d 1368, 1377 (Fed. Cir. 2008). [↑](#footnote-ref-104)
105. *In re* Baxter Int’l, Inc., 678 F.3d 1357, 1364 (Fed. Cir. 2012)(quoting *Swanson*, 540 F.3d at 1377). [↑](#footnote-ref-105)
106. *See* Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 Wm. & Mary L. Rev. 1791, 1831-32 (2013). [↑](#footnote-ref-106)
107. Phillips v. AWH Corp., 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc). [↑](#footnote-ref-107)
108. *Id.* at 1314. [↑](#footnote-ref-108)
109. *Id.* at 1312 (quoting Merrill v. Yeomans, 94 U.S. 568, 570 (1876)). [↑](#footnote-ref-109)
110. 37 C.F.R. §§ 1.555(b), 42.100(b), 42.200(b), 42.300(b). [↑](#footnote-ref-110)
111. Facebook, Inc. v. Pragmatus AV, LLC, 582 F. App’x 864, 869 (Fed. Cir. 2014). [↑](#footnote-ref-111)
112. *See In re* Yamamoto, 740 F.2d 1569, 1572 (Fed. Cir. 1984). [↑](#footnote-ref-112)
113. Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,697-98 (2012); *see also* *In re* Cuozzo Speed Techs., LLC, 793 F.3d 1268, 1278-79 (Fed. Cir. 2015) (approving the PTO’s use of the broadest reasonable construction standard in AIA proceedings). [↑](#footnote-ref-113)
114. *See, e.g.*, 35 U.S.C. § 316(d)(1) (allowing the patent owner to file only one motion to amend). [↑](#footnote-ref-114)
115. *See* Love & Ambwani, *supra* note 6, at 102 (reporting that the PTAB granted only one motion to amend in the first eighteen months of the inter partes review program). It should be noted that the PTAB has recently taken steps that appear to make amendments easier, such as increasing the page limits on motions to amend, Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 28,561, 28,562 (May 19, 2015) (to be codified at 37 C.F.R. § 42.24(a)), and narrowing the scope of prior art that patent holders must distinguish to prove the patentability of amended claims, *see* MasterImage 3D, Inc. v. Reald Inc., No. IPR2015-40, slip op. at 3 (P.T.A.B. July 15, 2015). [↑](#footnote-ref-115)
116. 135 S. Ct. 1293, 1299 (2015). [↑](#footnote-ref-116)
117. *See* Restatement (Second) of Judgments § 27 cmt. c, § 28 cmt. f (1982). [↑](#footnote-ref-117)
118. 135 S. Ct. at 1299. [↑](#footnote-ref-118)
119. *Id.* at 1308. [↑](#footnote-ref-119)
120. For further discussion of why court and PTO decisions on patent validity do not satisfy the ordinary elements of issue preclusion, see *infra* Part III.B.2. [↑](#footnote-ref-120)
121. *See* Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1428-29 & n.3 (Fed. Cir. 1988). [↑](#footnote-ref-121)
122. 35 U.S.C. §§ 315(e)(2), 325(e)(2); America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(D), 125 Stat. 284, 330 (2011). [↑](#footnote-ref-122)
123. *See supra* note 42 and accompanying text. [↑](#footnote-ref-123)
124. *See, e.g.*, Edizone, LC v. Cloud Nine, LLC, 505 F. Supp. 2d 1226, 1230 (D. Utah 2007). [↑](#footnote-ref-124)
125. Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1364 (Fed. Cir. 1984). [↑](#footnote-ref-125)
126. Interconnect Planning Corp. v. Feil, 774 F.2d 1132, 1139 (Fed. Cir. 1985). [↑](#footnote-ref-126)
127. *See generally* Tun-Jen Chiang, *The Advantages of* Inter Partes *Reexamination*, 90 J. Pat. & Tradmark Off. Soc’y 1, 10 (2008) (arguing that “[w]hile *ex parte* reexamination does not create litigation estoppel *de facto*, it comes fairly close to doing so”); Janis, *supra* note 48, at 82 n.355 (noting that “the presumption of validity, while not technically ‘strengthened’ during reexamination . . . may be harder to overcome as to claims that have been tested by reexamination”). [↑](#footnote-ref-127)
128. *E.g.*, 35 U.S.C. § 315(e)(2). [↑](#footnote-ref-128)
129. *See, e.g.*, StoneEagle Servs., Inc. v. Pay-Plus Solutions, Inc., No. 8:13-CV-2240, 2015 WL 3824208, at \*9 (M.D. Fla. June 19, 2015). [↑](#footnote-ref-129)
130. *E.g.*,Ultratec, Inc. v. Sorenson Commc’ns, Inc., No. 13-CV-34, 2014 WL 5023098, at \*2 (W.D. Wis. Oct. 8, 2014); *see also* Wis. Alumni Res. Found. v. Apple, Inc., --- F. Supp. 3d ---, No. 14-CV-62, 2015 WL 5704356, at \*7 (W.D. Wis. Sept. 29, 2015) (collecting conflicting decisions). [↑](#footnote-ref-130)
131. *In re* Trans Texas Holdings Corp. 498 F.3d 1290, 1297 (Fed. Cir. 2007). [↑](#footnote-ref-131)
132. *In re* Freeman, 30 F.3d 1459, 1469 (Fed. Cir. 1994). [↑](#footnote-ref-132)
133. *See, e.g.*, Veeam Software Corp. v. Symantec Corp., No. IPR2013-150, 2013 WL 8595506, at \*3 (P.T.A.B. Aug. 7, 2013). [↑](#footnote-ref-133)
134. *See, e.g.*, Google Inc. v. Simpleair, Inc., No. IPR2015-180, 2015 WL 2159342, at \*6 (P.T.A.B. May 5, 2015). [↑](#footnote-ref-134)
135. *See, e.g.*, SAP Am., Inc. v. Versata Dev. Grp., Inc., No. CBM2012-1, 2013 WL 3167735, at \*13 (P.T.A.B. June 11, 2013). [↑](#footnote-ref-135)
136. *See, e.g.*, Va. Innovation Sci., Inc. v. Samsung Elecs. Co., 983 F. Supp. 2d 713, 767 (E.D. Va. 2014), *vacated on other grounds*, No. 2014-1477, 2015 WL 3555700 (Fed. Cir. June 9, 2015). [↑](#footnote-ref-136)
137. *E.g.,* Black Hills Media, LLC v. Pioneer Elecs. USA Inc., No. CV14-471, 2014 WL 4638170, at \*6 (C.D. Cal. May 8, 2014); *see also* SurfCast, Inc. v. Microsoft Corp., 6 F. Supp. 3d 136, 142 (D. Me. 2014) (“The PTO’s construction is persuasive but not binding on this Court.”). *But see, e.g.*, Smartflash LLC v. Apple, Inc., No. 6:13-CV-447, 2014 WL 3366661, at \*4 (E.D. Tex. July 8, 2014) (“It is . . . unlikely that the claim construction aspect of the [covered business method] review would significantly simplify the issues before the Court because [t]he PTAB and district courts construe claims under different standards.”). [↑](#footnote-ref-137)
138. *See, e.g.*, Xerox Corp. v. 3Com Corp., 267 F.3d 1361, 1366 (Fed. Cir. 2001). [↑](#footnote-ref-138)
139. To be clear, when the opposite happens—that is, the PTO rejects a challenge to invalidity but a court invalidates the patent—there is no uncertainty about the patent’s legal status. It is invalid as against the entire world under *Blonder-Tongue*. *See supra* notes 2-4 and accompanying text. [↑](#footnote-ref-139)
140. The few scholarly pieces that have explored the question include a recent article critiquing the PTO’s failure to give deference to the Federal Circuit’s resolution of legal (as opposed to factual) questions relevant to patent validity, such as obviousness, Paul M. Janicke, *An Interim Proposal for Fixing Ex Parte Reexamination’s Messy Side*, 4 HLRe: Off the Record 43 (2013), a student note that predates the Federal Circuit’s recent string of decisions, Betsy Johnson, *Plugging the Holes in the Ex Parte Reexamination Statute: Preventing a Second Bite at the Apple for a Patent Infringer*, 55 Cath. U. L. Rev. 304 (2005), and a more recent student note considering how to better coordinate litigation and ex parte reexamination, Christopher Ilardi, *The Broken System of Parallel Patent Proceedings: How to Create a Unified, One-Judgment System*, 36 Cardozo L. Rev. 2213 (2015). [↑](#footnote-ref-140)
141. Several high-profile cases had the potential to involve inconsistent court and PTO rulings on patent validity, but those cases settled before final resolution. *See, e.g.*, MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 560 (E.D. Va. 2007) (noting that the PTO had issued non-final reexamination decisions that the patents, which the district court had found to be infringed, were invalid for obviousness), *appeal dismissed*, 273 F. App’x 857 (Fed. Cir. 2008); E.I. Du Pont De Nemours & Co. v. Phillips Petroleum Co., 720 F. Supp. 373, 381 (D. Del. 1989) (similar), *appeal dismissed*, 988 F.2d 129 (Fed. Cir. 1993). [↑](#footnote-ref-141)
142. 996 F.2d 1236 (Fed. Cir. 1993) (table). [↑](#footnote-ref-142)
143. Standard Havens Prods., Inc. v. Gencor Indus., Inc., 810 F. Supp. 1072, 1073 (W.D. Mo. 1993). [↑](#footnote-ref-143)
144. *Id.* [↑](#footnote-ref-144)
145. Standard Havens Prods., Inc. v. Gencor Indus., Inc., 953 F.2d 1360, 1376 (Fed. Cir. 1991). [↑](#footnote-ref-145)
146. *Id.* at 1366. [↑](#footnote-ref-146)
147. *Standard Havens*, 810 F. Supp. at 1073. [↑](#footnote-ref-147)
148. *Id.* After the America Invents Act, it is no longer possible to challenge the PTO’s reexamination decisions through a civil suit; the only route for appeal is to the Federal Circuit. *See* 35 U.S.C. § 141(b). [↑](#footnote-ref-148)
149. *Standard Havens*, 810 F. Supp. at 1073. [↑](#footnote-ref-149)
150. *Id.* at 1074, 1077. [↑](#footnote-ref-150)
151. *Id.* at 1076. [↑](#footnote-ref-151)
152. Standard Havens Prods., Inc. v. Gencor Indus., Inc., 996 F.2d 1236 (Fed. Cir. 1993) (table). [↑](#footnote-ref-152)
153. *Id.*  [↑](#footnote-ref-153)
154. 250 F. App’x 988, 988 (Fed. Cir. 2007). [↑](#footnote-ref-154)
155. Translogic Tech., Inc. v. Hitachi, Ltd., No. 99-cv-407 (D. Or. May 6, 2005) (ECF No. 765). [↑](#footnote-ref-155)
156. *See Translogic*, 250 F. App’x at 988. [↑](#footnote-ref-156)
157. *In re* Translogic Tech., Inc., 504 F.3d 1249, 1262 (Fed. Cir. 2007). [↑](#footnote-ref-157)
158. *Translogic*, 250 F. App’x at 988. [↑](#footnote-ref-158)
159. *See id.* [↑](#footnote-ref-159)
160. 721 F.3d 1330 (Fed. Cir. 2013). [↑](#footnote-ref-160)
161. 564 F. App’x 600 (Fed. Cir. 2014). [↑](#footnote-ref-161)
162. 789 F.3d 1349 (Fed. Cir. 2015). [↑](#footnote-ref-162)
163. *Fresenius*,721 F.3d at 1332. [↑](#footnote-ref-163)
164. Fresenius USA, Inc. v. Baxter Int’l, Inc., 582 F.3d 1288, 1293 (Fed. Cir. 2009). [↑](#footnote-ref-164)
165. *Id.* [↑](#footnote-ref-165)
166. *Id.* [↑](#footnote-ref-166)
167. *Id.* [↑](#footnote-ref-167)
168. *Id.* at 1294. [↑](#footnote-ref-168)
169. *Id.* [↑](#footnote-ref-169)
170. *Id.* at 1304. [↑](#footnote-ref-170)
171. *Id.* at 1303. [↑](#footnote-ref-171)
172. *Id.* at 1304. [↑](#footnote-ref-172)
173. Fresenius USA, Inc. v. Baxter Int’l, Inc., 559 U.S. 1070 (2010). [↑](#footnote-ref-173)
174. On remand, Fresenius filed a motion for a new trial on past damages, but the district court denied the motion, noting that “Fresenius did not argue at trial or on appeal that the calculation of past damages depended on the number of patents infringed” and that, although the Federal Circuit vacated the injunction and post-verdict royalty award, the Federal Circuit “did not vacate the damages award.” Fresenius USA, Inc. v. Baxter Int’l, Inc., No. C 03-1431, 2011 WL 2160609, at \*2 (N.D. Cal. May 26, 2011). [↑](#footnote-ref-174)
175. Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1333 (Fed. Cir. 2013). [↑](#footnote-ref-175)
176. *Id.* at 1334. [↑](#footnote-ref-176)
177. *Id.* [↑](#footnote-ref-177)
178. *See In re* Baxter Int’l, Inc., 678 F.3d 1357, 1360 (Fed. Cir. 2012). [↑](#footnote-ref-178)
179. *Id.* at 1366. [↑](#footnote-ref-179)
180. *Id.* at 1364-65. [↑](#footnote-ref-180)
181. *Id.*  [↑](#footnote-ref-181)
182. Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1340 (Fed. Cir. 2013) (citing Moffitt v. Garr, 66 U.S. 273 (1861)). [↑](#footnote-ref-182)
183. *Id.* [↑](#footnote-ref-183)
184. *Id.* at 1340-41. [↑](#footnote-ref-184)
185. *Id.* at 1341. [↑](#footnote-ref-185)
186. *Id.* [↑](#footnote-ref-186)
187. *Id.* at 1344 n.10 (citing Translogic Tech., Inc. v. Hitachi, Ltd., 250 F. App’x 988 (Fed. Cir. 2007)). [↑](#footnote-ref-187)
188. *Id.* at 1351 (Newman, J., dissenting). [↑](#footnote-ref-188)
189. *Id.* at 1356. [↑](#footnote-ref-189)
190. *Id.* [↑](#footnote-ref-190)
191. Fresenius USA, Inc. v. Baxter Int’l, Inc., 733 F.3d 1369, 1375 (Fed. Cir. 2013) (O’Malley, J., dissenting from denial of rehearing en banc). [↑](#footnote-ref-191)
192. *See id.* [↑](#footnote-ref-192)
193. *Id.* at 1372. [↑](#footnote-ref-193)
194. *Id.* at 1383 (Newman, J., dissenting from denial of rehearing en banc). [↑](#footnote-ref-194)
195. Versata Software, Inc. v. SAP Am., Inc., 717 F.3d 1255, 1259 (Fed. Cir. 2013). [↑](#footnote-ref-195)
196. *Id.* at 1260. [↑](#footnote-ref-196)
197. *Id.* at 1269. [↑](#footnote-ref-197)
198. *See id.* at 1260. [↑](#footnote-ref-198)
199. *Id.* [↑](#footnote-ref-199)
200. SAP Am., Inc. v. Versata Dev. Grp., Inc., No. CBM2012-1, 2013 WL 3167735, at \*20 (P.T.A.B. June 11, 2013). [↑](#footnote-ref-200)
201. SAP Am., Inc., No. CBM2012-1, 2013 WL 5947675, at \*1 (P.T.A.B. Sept. 13, 2013). [↑](#footnote-ref-201)
202. SAP Am., Inc. v. Versata Software, Inc., 134 S. Ct. 1013 (2014). [↑](#footnote-ref-202)
203. *See* Versata Software, Inc. v. SAP Am., Inc., No. 2:07cv153, 2014 WL 1600327, at \*1 (E.D. Tex. Apr. 2014); *see also* Fed. R. Civ. P. 60(b)(5)-(6) (permitting relief from a judgment if “it is based on an earlier judgment that has been reversed or vacated,” if “applying it prospectively is no longer equitable,” or for “any other reason that justifies relief”). [↑](#footnote-ref-203)
204. *See Versata*, 2014 WL 1600327, at \*1. [↑](#footnote-ref-204)
205. *See id.* at \*2. [↑](#footnote-ref-205)
206. *Id.* [↑](#footnote-ref-206)
207. *Id.* [↑](#footnote-ref-207)
208. *Id.* [↑](#footnote-ref-208)
209. Plaintiffs-Appellees’ Motion to Dismiss or Summarily Affirm at 1, 3, Versata Computer Indus. Solutions, Inc. v. SAP AG, No. 2014-1430 (Fed. Cir. May 29, 2014). [↑](#footnote-ref-209)
210. Defendants-Appellants’ Response to Motion to Dismiss or Summarily Affirm at 1, Versata Software, Inc. v. SAP Am., Inc., No. 2014-1430 (Fed. Cir. June 12, 2014). [↑](#footnote-ref-210)
211. Versata Computer Indus. Solutions, Inc. v. SAP AG, 564 F. App’x 600 (Fed. Cir. 2014). [↑](#footnote-ref-211)
212. *See* Versata Dev. Grp., Inc. v. SAP Am., Inc., 793 F.3d 1306, 1336 (Fed. Cir. 2015) (affirming the PTAB’s decision to invalidate Versata’s patent). [↑](#footnote-ref-212)
213. After the Federal Circuit decided the second appeal in the infringement litigation, the parties settled the infringement dispute. *See* Versata Software, Inc. v. SAP Am., Inc., No. 2:07cv153 (E.D. Tex. Oct. 3, 2014) (ECF No. 631). [↑](#footnote-ref-213)
214. 789 F.3d 1349 (Fed. Cir. 2015). [↑](#footnote-ref-214)
215. *Id.* at 1351. [↑](#footnote-ref-215)
216. *Id.* [↑](#footnote-ref-216)
217. *Id.* [↑](#footnote-ref-217)
218. *Id.* at 1352. [↑](#footnote-ref-218)
219. *Id.* [↑](#footnote-ref-219)
220. *Id.* [↑](#footnote-ref-220)
221. ePlus, Inc. v. Lawson Software, Inc., 700 F.3d 509, 520, 522 (Fed. Cir. 2012). [↑](#footnote-ref-221)
222. *Id.* at 521. Lawson did not argue on appeal the claim 26 was invalid. *See id.* at 517-20. [↑](#footnote-ref-222)
223. *Id.* at 523. [↑](#footnote-ref-223)
224. *ePlus*, 789 F.3d at 1353. [↑](#footnote-ref-224)
225. ePlus Inc. v. Lawson Software, Inc., 946 F. Supp. 2d 472, 490 (E.D. Va. 2013). [↑](#footnote-ref-225)
226. *ePlus*, 789 F.3d at 1354. [↑](#footnote-ref-226)
227. *Ex Parte* ePlus, Inc., No. 2010-7804, 2011 WL 1918594, at \*1 (B.P.A.I. May 18, 2011). [↑](#footnote-ref-227)
228. *See Ex Parte* ePlus, Inc., No. 2010-7804, 2012 WL 1050566, at \*1 (B.P.A.I. Mar. 23, 2012). [↑](#footnote-ref-228)
229. *In re* ePlus, Inc., 540 F. App’x 998 (Fed. Cir. 2013). [↑](#footnote-ref-229)
230. *ePlus*, 789 F.3d at 1356 (citing Pennsylvania v. Wheeling & Belmont Bridge Co., 54 U.S. (13 How.) 518 (1851)). [↑](#footnote-ref-230)
231. *Id.* at 1358 (internal quotation marks omitted). [↑](#footnote-ref-231)
232. *Id.* (quoting Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1341 (Fed. Cir. 2013)) (internal quotation marks omitted). [↑](#footnote-ref-232)
233. *Id.* at 1361. [↑](#footnote-ref-233)
234. *Id.* at 1362.In dissent, Judge O’Malley argued that *Fresenius* was distinguishable from the case at hand because, among other things, ePlus, the patent holder, never appealed the Federal Circuit’s ruling on the validity of the infringed patent claim (claim 26). *Id.* at 1367 (O’Malley, J., dissenting). Also, reiterating views expressed in her dissent from the denial of rehearing en banc in *Fresenius*, she argued that the absolute finality rule is “contrary to the well-established law of finality.” *Id.* at 1370. [↑](#footnote-ref-234)
235. ePlus, Inc. v. Lawson Software, Inc., 790 F.3d 1307 (Fed. Cir. 2015). [↑](#footnote-ref-235)
236. *Id.* at 1311 (Newman, J., dissenting from denial of rehearing en banc) (citing Zdanok v. Glidden Co., 327 F.2d 944, 955 (2d Cir. 1964)). [↑](#footnote-ref-236)
237. *Id.* at 1315 (O’Malley, J., dissenting from denial of rehearing en banc). [↑](#footnote-ref-237)
238. *Id.* at 1314 (Moore, J., dissenting from denial of rehearing en banc). [↑](#footnote-ref-238)
239. *Id.* at 1315. [↑](#footnote-ref-239)
240. Fresenius USA, Inc. v. Baxter Int’l, Inc., 733 F.3d 1369, 1371 (Fed. Cir. 2013) (Dyk, J., concurring in denial of rehearing en banc). [↑](#footnote-ref-240)
241. *See* 11 Charles Alan Wright et al., Federal Practice and Procedure § 2905 (3d ed. 2012); *see also* Fed. R. Civ. P. 62(d) (“If an appeal is taken, the appellant may obtain a stay by supersedeas bond . . . .”). [↑](#footnote-ref-241)
242. ePlus, Inc. v. Lawson Software, Inc., 789 F.3d 1349, 1361 (Fed. Cir. 2015). [↑](#footnote-ref-242)
243. *See* Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749, 1756 (2014). [↑](#footnote-ref-243)
244. *ePlus*, 789 F.3d at 1370-71 (O’Malley, J., dissenting); *accord* 11A Wright et al., *supra* note 240, § 2961. [↑](#footnote-ref-244)
245. *See infra* note 278 and accompanying text. That said, some litigants have recently argued that a final PTAB decision of invalidity that has not yet been reviewed by the Federal Circuit (meaning that the PTO has not yet issued a cancelation certificate) should still be entitled to issue preclusive effect on the question of validity. *See, e.g.*, Defendants-Appellants’ Petition for Rehearing En Banc, Apple Inc. v. Samsung Elecs. Am., Inc., No. 2015-2088 (Fed. Cir. Oct. 19, 2015). But because the PTAB applies a lower standard of proof than the courts on the question of validity, it would seem that issue preclusion is not appropriate in that circumstance.  *See infra* Part III.B.2. [↑](#footnote-ref-245)
246. Apple Inc. v. Samsung Elecs. Co., 786 F.3d 983, 989 (Fed. Cir. 2015). [↑](#footnote-ref-246)
247. *Id.* [↑](#footnote-ref-247)
248. *Id.* at 990; *see* Vin Gurrieri, *Fed. Circ. Nixes Samsung’s Bid for Stay of $548M Award*, Law360 (Aug. 25, 2015), http://www.law360.com/articles/695129. [↑](#footnote-ref-248)
249. *Apple*, 786 F.3d at 989. [↑](#footnote-ref-249)
250. *See Ex Parte* Apple, Inc., Appeal No. 2014-7899, 2015 WL 5676869 (P.T.A.B. Sept. 24, 2015) (denying rehearing and recounting procedural history). [↑](#footnote-ref-250)
251. Partial Final Judgment, Apple Inc. v. Samsung Elecs. Co., No. 11-cv-1846 (N.D. Cal. Sept. 18, 2015). [↑](#footnote-ref-251)
252. Apple Inc. v. Samsung Elecs. Am., Inc., No. 2015-2088, slip op. at 2 (Fed. Cir. Oct. 13, 2015). [↑](#footnote-ref-252)
253. Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1341 (Fed. Cir. 2013) (stating that, to be immune from the effects of PTO review, “the litigation must be entirely concluded so that [the] cause of action [against the infringer] was merged into a final judgment . . . one that ends the litigation on the merits and leaves nothing for the court to do but execute the judgment.” (alterations in original, internal quotation marks omitted)). [↑](#footnote-ref-253)
254. 10 Wright et al., *supra* note 240, § 2654. [↑](#footnote-ref-254)
255. *See infra* notes 284-297 and accompanying text (discussing Simmons Co. v. Grier Bros., 258 U.S. 82 (1922), in which the Supreme Court, after finding in a patent holder’s favor on the issue of validity, vacated a court decision of invalidity in another pending case, even though the only issue remaining in that case related to a separate claim of unfair competition). [↑](#footnote-ref-255)
256. *Fresenius*, 721 F.3d at 1340 (emphasis added). [↑](#footnote-ref-256)
257. *See* Fresenius, 721 F.3d at 1349 (Newman, J., dissenting). [↑](#footnote-ref-257)
258. Miller v. French, 530 U.S. 327, 341 (2000). [↑](#footnote-ref-258)
259. U.S. Const. art. III, § 1. [↑](#footnote-ref-259)
260. 514 U.S. 211, 240 (1995). [↑](#footnote-ref-260)
261. *Id.* at 218-19. [↑](#footnote-ref-261)
262. 2 U.S. (2 Dall.) 408, 410 (1792); *see also* Chi. & S. Air Lines v. Waterman S.S. Corp., 333 U.S. 103, 113-14 (1948) (“It has . . . been the firm and unvarying practice of Constitutional Courts to render no judgments not binding and conclusive on the parties and none that are subject to later review or alteration by administrative action.”). [↑](#footnote-ref-262)
263. 530 U.S. at 333-34. [↑](#footnote-ref-263)
264. *Id.* at 344. [↑](#footnote-ref-264)
265. *Id.* at 347 (quoting *Plaut*, 514 U.S. at 227). [↑](#footnote-ref-265)
266. *Id.* [↑](#footnote-ref-266)
267. *See* Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1349 (Fed. Cir. 2013) (Newman, J., dissenting) (“[W]hen the issue of validity of the claims has already been resolved in litigation, subsequent redetermination by the PTO is directly violative of the structure of government.”). [↑](#footnote-ref-267)
268. *Cf. id.* at 1346 (majority opinion) (“There is no basis to read *Plaut* to impose restrictions on reopening before there has been a final judgment *ending the case* . . . .” (emphasis added)). [↑](#footnote-ref-268)
269. *Cf. Miller*, 530 U.S. at 343 (upholding the automatic stay provision of the PLRA, noting that “[u]nlike the situation in *Hayburn’s Case*, [the PLRA] does not involve the direct review of a judicial decision by officials of the Legislative or Executive Branches”). [↑](#footnote-ref-269)
270. *Id.* at 347. [↑](#footnote-ref-270)
271. *See Fresenius*, 721 F.3d at 1343-44(citing Mendenhall v. Barber-Greene Co., 26 F.3d 1573, 1581 (Fed. Cir. 1994)). [↑](#footnote-ref-271)
272. *Mendenhall*, 26 F.3d at 1576. [↑](#footnote-ref-272)
273. *See* Mendenhall v. Cedarapids, Inc., 5 F.3d 1557, 1571 (Fed. Cir. 1993). [↑](#footnote-ref-273)
274. *Mendenhall*, 26 F.3d at 1576. [↑](#footnote-ref-274)
275. *See generally* Levi Strauss & Co. v. Abercrombie & Fitch Trading Co., 719 F.3d 1367, 1371 (Fed. Cir. 2013) (“We have stated four preconditions for a second suit to be barred by issue preclusion: (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.”). [↑](#footnote-ref-275)
276. Restatement (Second) of Judgments § 28(4) (1982); *accord* 18 Wright et al., *supra* note 240, § 4422 (“[A] party who has carried the burden of establishing an issue by a preponderance of the evidence is not entitled to assert preclusion in a later action that requires proof of the same issue by a higher standard.”). [↑](#footnote-ref-276)
277. Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1428-29 (Fed. Cir. 1988). [↑](#footnote-ref-277)
278. *See, e.g.*, Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1340 (Fed. Cir. 2013) (“Baxter wisely agrees that in general, when a claim is cancelled, the patentee loses any cause of action based on that claim . . . .”). [↑](#footnote-ref-278)
279. *See* 35 U.S.C. §§ 307(a), 318(b), 328(b). [↑](#footnote-ref-279)
280. *Fresenius*, 721 F.3d at 1338, 1344. [↑](#footnote-ref-280)
281. 66 U.S. 273, 282-83 (1861). [↑](#footnote-ref-281)
282. *Id.* at 283. [↑](#footnote-ref-282)
283. *See id.* at 273-74. [↑](#footnote-ref-283)
284. *Id.* [↑](#footnote-ref-284)
285. *See Fresenius*, 721 F.3d at 1342 (citing Simmons Co. v. Grier Bros., 258 U.S. 82 (1922)). [↑](#footnote-ref-285)
286. *Simmons*, 258 U.S. at 84. [↑](#footnote-ref-286)
287. *Id.* at 85. [↑](#footnote-ref-287)
288. *Id.* at 84. [↑](#footnote-ref-288)
289. *Id.* at 86-87. [↑](#footnote-ref-289)
290. *Id.* at 89. [↑](#footnote-ref-290)
291. *See* Fresenius USA, Inc. v. Baxter Int’l, Inc., 733 F.3d 1369, 1372 (Fed. Cir. 2013) (Dyk, J., concurring in denial of rehearing en banc) (“If we were to hold that our judgment in *Fresenius* . . . is immune to a subsequent adjudication of invalidity, we would contravene controlling Supreme Court authority in *Simmons* . . . .”). [↑](#footnote-ref-291)
292. *See* Fed. R. Civ. P. 54(b) (“When an action presents more than one claim for relief . . . or when multiple parties are involved, the court may direct entry of a final judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay.”). [↑](#footnote-ref-292)
293. 28 U.S.C. § 1292(c)(2). [↑](#footnote-ref-293)
294. *See, e.g.*,Robert Bosch, LLC v. Pylon Mfg. Corp., 719 F.3d 1305, 1308 (Fed. Cir. 2013) (en banc). [↑](#footnote-ref-294)
295. *See* 18A Wright et al., *supra* note 240, § 4432. [↑](#footnote-ref-295)
296. *See infra* Part III.B.2. [↑](#footnote-ref-296)
297. Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found., 402 U.S. 313, 330 (1971). [↑](#footnote-ref-297)
298. Fresenius USA, Inc. v. Baxter Int’l, Inc., 733 F.3d 1369, 1372 (Fed. Cir. 2013) (Dyk, J., concurring in denial of rehearing en banc). [↑](#footnote-ref-298)
299. *See, e.g.*, Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1355 (Fed. Cir. 2013) (Newman, J., dissenting); *Fresenius*, 733 F.3d at 1376 (O’Malley, J., dissenting from denial of rehearing en banc). [↑](#footnote-ref-299)
300. *See* 18A Wright et al., *supra* note 240, § 4432. [↑](#footnote-ref-300)
301. *Fresenius*, 721 F.3d at 1341-42 (quoting 18A Wright et al., *supra* note 240, § 4432) (second and third alterations in original, some emphasis omitted). [↑](#footnote-ref-301)
302. *Fresenius*, 733 F.3d at 1380 (O’Malley, J., dissenting from denial of rehearing en banc) (emphasis omitted). [↑](#footnote-ref-302)
303. 297 F.2d 80, 89 (2d Cir. 1961); *accord* Restatement (Second) of Judgments § 13 (1982). [↑](#footnote-ref-303)
304. *See, e.g.*, Zdanok v. Glidden Co., 327 F.2d 944, 955 (2d Cir. 1964) (Friendly, J.); *see generally* 18A Wright et al., *supra* note 240, § 4434 (citing cases). [↑](#footnote-ref-304)
305. *See* Fresenius USA, Inc. v. Baxter Int’l, Inc., 559 U.S. 1070 (2010); *In re* Baxter Int’l, Inc., 678 F.3d 1357, 1364 (Fed. Cir. 2012). It should be noted that the issues of validity and infringement could, in theory, have been considered by the Supreme Court if it had granted certiorari in a subsequent appeal in the infringement case. *See* Amcast Indus. Corp. v. Detrex Corp., 45 F.3d 155, 160 (7th Cir. 1995) (Posner, C.J.) (noting that the denial of certiorari from a decision that does not conclude the litigation “does not preclude a grant of certiorari to review the identical issue at a later stage in the case”). In Baxter’s case, however, that contingency was extremely unlikely because Fresenius had already petitioned the Court to review the Federal Circuit’s rulings on validity and infringement, and the Court denied that petition. *See supra* note 172 and accompanying text. Moreover, even though the Supreme Court has the ability to reconsider issues long since resolved by the lower courts, the lower courts’ rulings remain final for preclusion purposes unless and until that happens. *See Amcast*, 45 F.3d at 160. [↑](#footnote-ref-305)
306. *See In re* ePlus, Inc., 540 F. App’x 998 (Fed. Cir. 2013); ePlus, Inc. v. Lawson Software, Inc., 700 F.3d 509, 509 (Fed. Cir. 2012). [↑](#footnote-ref-306)
307. *See supra* Part III.B.1. [↑](#footnote-ref-307)
308. *See supra* note 120 and accompanying text. Judge Newman has been a noted skeptic of this rule. *See In re* Constr. Equip. Co., 665 F.3d 1254, 1263 (Fed. Cir. 2011) (Newman, J., dissenting) (arguing that “a patent that has been held valid or invalid in court” should not be subject to reexamination in the PTO). [↑](#footnote-ref-308)
309. This argument is also consistent with the frequent complaint that the Federal Circuit too eagerly embraces bright-line rules and resists context-sensitive standards that would require the court to engage in policy analysis. Leading explorations of that critique include Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 Va. L. Rev. 1575, 1671 (2003); Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 Case W. Res. L. Rev. 769, 772 (2004); Craig Allen Nard & John F. Duffy, *Rethinking Patent Law’s Uniformity Principle*, 101 Nw. U. L. Rev. 1619, 1620-21 (2007); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 Colum. L. Rev. 1035, 1103-04 (2003); and John R. Thomas, *Formalism at the Federal Circuit*, 52 Am. U. L. Rev. 771, 774 (2003). [↑](#footnote-ref-309)
310. W.L. Gore & Assocs., Inc. v. Garlock, Inc., 842 F.2d 1275, 1279 (Fed. Cir. 1988). [↑](#footnote-ref-310)
311. White v. Murtha, 377 F.2d 428, 431-32 (5th Cir. 1967); *accord* Ormco Corp. v. Align Tech., Inc., 498 F.3d 1307, 1319 (Fed. Cir. 2007). [↑](#footnote-ref-311)
312. Higgins v. Cal. Prune & Apricot Grower, Inc., 3 F.2d 896, 898 (2d Cir. 1924) (Hand, J., sitting by designation) (“‘[L]aw of the case’ does not rigidly bind a court to its former decisions, but is only addressed to its good sense.”). [↑](#footnote-ref-312)
313. *See* 18B Wright et al., *supra* note 240, § 4478. [↑](#footnote-ref-313)
314. *See* Allan D. Vestal, *Law of the Case: Single-Suit Preclusion*, 1967 Utah L. Rev. 1, 2. [↑](#footnote-ref-314)
315. *See id.* [↑](#footnote-ref-315)
316. *See* Joan Steinman, *Law of the Case: A Judicial Puzzle in Consolidated and Transferred Cases in Multidistrict Litigation*, 135 U. Pa. L. Rev. 595, 607 (1987). [↑](#footnote-ref-316)
317. 3 F.2d 577, 577 (7th Cir. 1924), *cited in* Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1344 n.10 (Fed. Cir. 2013). [↑](#footnote-ref-317)
318. *Id.* [↑](#footnote-ref-318)
319. *Id.* at 579. [↑](#footnote-ref-319)
320. *Id.* [↑](#footnote-ref-320)
321. *Id.* at 577. [↑](#footnote-ref-321)
322. *Id.* at 580. [↑](#footnote-ref-322)
323. *Id.* (citing Simmons Co. v. Grier Bros., 258 U.S. 82 (1922)). [↑](#footnote-ref-323)
324. Mendenhall v. Barber-Greene Co., 26 F.3d 1573, 1583 (Fed. Cir. 1994). [↑](#footnote-ref-324)
325. *Id.* at 1583. [↑](#footnote-ref-325)
326. *See* Steinman, *supra* note 315, at 599 (“Law of the case principles are . . . best understood as rules of sensible and sound practice that permit logical progression toward judgment, but that do not disable a court from altering prior interlocutory decisions in a case.”). [↑](#footnote-ref-326)
327. *See* ePlus, Inc. v. Lawson Software, Inc., 790 F.3d 1307, 1309 (Fed. Cir. 2015) (Dyk, J., concurring in denial of rehearing en banc) (arguing that “it would be ‘manifestly *unjust*’ to allow [the patent holder] to recover from its invalid patent ‘when the rest of the industry is not impeded by the patents’” (quoting *Mendenhall*, 26 F.3d at 1583)); *see also* Ilardi, *supra* note 139, at 2235 (“Most people would likely agree that the . . . outcome [in *Fresenius*] was correct—collecting damages on a patent that turns out to be invalid seems at odds with fundamental concepts of fairness . . . .”). [↑](#footnote-ref-327)
328. *See* Fresenius Med. Care Holdings, Inc. v. Baxter Int’l, Inc., No. C 03-1431, 2007 WL 1655625, at \*1 (N.D. Cal. June 7, 2007) (noting that the district court had denied Fresenius’ motions for summary judgment of invalidity and granted Baxter’s motion for partial summary judgment of validity). [↑](#footnote-ref-328)
329. *See generally* Christina Bohannan & Herbert Hovenkamp, Creation Without Restraint: Promoting Liberty and Rivalry in Innovation 61 (2012) (summarizing critiques of the modern patent system). [↑](#footnote-ref-329)
330. *See* Megan M. La Belle, *Patent Law As Public Law*, 20 Geo. Mason L. Rev. 41, 62-63 (2012) (discussing cases). [↑](#footnote-ref-330)
331. Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found., 402 U.S. 313, 328 (1971). [↑](#footnote-ref-331)
332. 439 U.S. 322, 332-33 (1979). [↑](#footnote-ref-332)
333. Brainerd Currie, *Mutuality of Collateral Estoppel: Limits of the* Bernhard *Doctrine*, 9 Stan. L. Rev. 281, 315 (1957). For a similar observation in the context of law of the case, see James William Moore & Robert Stephen Oglebay, *The Supreme Court, Stare Decisis, and Law of the Case*, 21 Tex. L. Rev. 514, 553 (1943) (“Practical results, rather than academic pedantry, are needed [in assessing law of the case]. And it should always be borne in mind that those ends necessitate a termination of litigation within a reasonable time, rather than the inconclusive striving for some theoretical ideal.”). [↑](#footnote-ref-333)
334. 402 U.S. at 329. [↑](#footnote-ref-334)
335. *Id.* [↑](#footnote-ref-335)
336. Indeed, patent challengers might reasonably argue that they have a *stronger* claim to choose the forum, given that Congress has created post-issuance proceedings for the express purpose of providing an alternative to litigation. *See infra* Part I.A. [↑](#footnote-ref-336)
337. *See, e.g.*, Va. Innovation Sci., Inc. v. Samsung Elecs. Co., 983 F. Supp. 2d 713, 766 (E.D. Va. 2014), *vacated on other grounds*, No. 2014-1477, 2015 WL 3555700 (Fed. Cir. June 9, 2015). [↑](#footnote-ref-337)
338. *See* 28 U.S.C. § 1961 (providing for postjudgment interest at a rate equivalent to the yield on one-year U.S. Treasury bonds, which is currently less than one percent annually); Apple, Inc. v. Samsung Elecs. Co., 67 F. Supp. 3d 1100, 1121-22 (N.D. Cal. 2014) (noting that “[t]he rate of prejudgment interest [in a patent case] is left to the wide discretion of this Court” and awarding interest at the one-year Treasury bond rate, noting that that rate “has been accepted and employed by many courts in patent cases”). [↑](#footnote-ref-338)
339. *See supra* Part II.B.2. [↑](#footnote-ref-339)
340. *See supra* Part II.B.1. [↑](#footnote-ref-340)
341. The Federal Circuit could also reduce the possibility of conflicting decisions by making various changes to its administrative law doctrine. For instance, the Federal Circuit could require the PTO to defer, as a matter of stare decisis, to the Federal Circuit’s prior decisions on purely legal issues relevant to the determination of patent validity, such as the ultimate conclusion on obviousness. *See* Janicke, *supra* note 139, at 61; *see also* KSR Int’l Co. v. Teleflex Inc.,550 U.S. 398, 427(2007) (“The ultimate judgment of obviousness is a legal determination.”). That proposal makes sense when there is an identical record of prior art before the court and the PTO. In that situation, both tribunals are deciding the exact same legal question. *See generally* Stevenson v. Sears, Roebuck & Co., 713 F.2d 705, 711 n.5 (Fed. Cir. 1983) (noting that, in sequential suits for patent infringement, “[t]he weight given a prior holding of ‘validity’ will vary depending on the additional prior art or other evidence on patentability that is produced in the subsequent suit” and that “[i]f . . . the record in the second suit is substantively identical to the record produced in the first suit, then it is extremely likely that the court will give its prior holding stare decisis effect”). Moreover, any differences in the standards of proof between the courts and the PTO should be irrelevant when the tribunals are resolving a pure question of law. *See* Janicke, *supra* note 139, at 58 (citing Microsoft Corp. v. i4i Ltd., 131 S. Ct. 2238, 2253 (2011) (Breyer, J., concurring)). However, in cases that end in conflicting decisions, such as *Fresenius*, the record before the court and the PTO often differs, *see In re* Baxter Int’l, Inc., 678 F.3d 1357, 1365 (Fed. Cir. 2012) (affirming the PTO’s invalidity decision in reexamination even though the Federal Circuit had previously rejected a validity challenge, noting that “the examiner based [the] rejections on prior art references that were not squarely at issue during the trial on the invalidity issues”), which weakens the case for PTO deference to a prior court ruling as a matter of stare decisis.

     Alternatively, the courts could invoke principles of administrative law to defer to the PTO’s resolution of the issue of patent validity. As a general matter, deference to the agency would be appropriate if the PTO were given substantive rulemaking authority, which it does not currently have. *See* Michael J. Burstein, *Rules for Patents*, 52 Wm. & Mary L. Rev. 1747, 1751 (2011). Even in the absence of substantive rulemaking authority, some commentators have argued that court deference to the PTO is still appropriate due to the America Invents Act’s creation of relatively formal adjudication proceedings, such as inter partes review and post-grant review. *See* Melissa F. Wasserman, *The Changing Guard of Patent Law:* Chevron *Deference for the PTO*, 54 Wm. & Mary L. Rev. 1959, 1966 (2013). But even if court deference to the PTO is appropriate as a general matter, that does not necessarily resolve the issue that is the focus of this article: What happens if, at the time the PTO enters a decision of patent invalidity, a court has *already* resolved the issue of validity in the patent holder’s favor? [↑](#footnote-ref-341)
342. *See generally* Sherkow, *supra* note 18, at 267-68 (arguing that “[d]istrict courts should . . . take a nuanced, case-by-case approach to determining whether to grant litigants’ request for stays pending the outcome of [PTO] proceedings”). [↑](#footnote-ref-342)
343. *See* Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988); *see also infra* Part IV.A (discussing statutory deadlines for concluding post-issuance proceedings under the AIA). [↑](#footnote-ref-343)
344. *See, e.g.*,PersonalWeb Techs., LLC v. Apple Inc., No. 4:14-CV-1683, 2014 WL 4757816, at \*2 (N.D. Cal. Sept. 24, 2014). [↑](#footnote-ref-344)
345. *See supra* note 90. [↑](#footnote-ref-345)
346. *See, e.g.*, Respondents’ Brief in Opposition to Petition for a Writ of Certiorari 30, Baxter Int’l, Inc. v. Fresenius USA, Inc., 134 S. Ct. 2295 (2014) [hereinafter Fresenius BIO]. [↑](#footnote-ref-346)
347. *See* 35 U.S.C. §§ 316(a)(11), 326(a)(11); 37 C.F.R. § 42.300(c). [↑](#footnote-ref-347)
348. On average, inter partes review proceedings take about fifteen months, from the filing of the petition until the PTO’s final disposition. Love & Ambwani, *supra* note 6, at 99. Patent cases in federal district courts take, on average, approximately one year to resolve, but that figure is skewed downward by the large number of cases that settle early on. *See* Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q.J. 1, 16, 19 (2010). For cases that go to trial, the time from filing to trial varies greatly among the districts. *See id.* at 17-18 (reporting a time to trial of less than one year in the quickest districts, the Western District of Wisconsin and the Eastern District of Virginia, but a time to trial of over two years in the district with the largest number of patent cases, the Eastern District of Texas). [↑](#footnote-ref-348)
349. 35 U.S.C. § 315(b). [↑](#footnote-ref-349)
350. The only timing requirement is that the window for post-grant review must be closed. 37 C.F.R. § 42.303. That usually occurs nine months after the patent issues. *See supra* note 66. [↑](#footnote-ref-350)
351. A common scenario in which a non-defendant petitions for inter partes review is when a patent holder has sued the petitioner’s customers for using allegedly infringing technology manufactured by the petitioner. *See* Brian J. Love, *Inter Partes Review as a Shield for Technology Purchasers*, 56 B.C. L. Rev. 1075, 1088 (2015)(reporting that roughly fourteen percent of inter partes review petitions filed in the first eighteen months of the proceeding’s existence were filed by manufacturers with at least one customer facing a lawsuit, but also noting that only one-quarter of those petitions were filed by manufacturers who had not also been sued themselves). Other non-defendants who have filed inter partes review petitions include industry groups, public interest organizations, and membership-based risk management firms, such as RPX and Unified Patents. *See id.* at 1094 n.59. [↑](#footnote-ref-351)
352. 37 C.F.R. §§ 42.107(b), 42.207(b), 42.300(a). [↑](#footnote-ref-352)
353. 35 U.S.C. §§ 313, 323. Under the statute, the PTAB, after receiving the patent owner’s response, has three months to decide whether the institute review. *Id.* §§ 314(b), 324(c). [↑](#footnote-ref-353)
354. *Id.* §§ 316(a)(11), 326(a)(11); 37 C.F.R. § 42.300(c). [↑](#footnote-ref-354)
355. *See* U.S. Court of Appeals for the Federal Circuit, *Median Time to Disposition in Cases Terminated After Hearing or Submission*, http://www.cafc.uscourts.gov/images/stories/Statistics/ med%20disp%20time%20merits\_table.pdf (last visited July 22, 2015). [↑](#footnote-ref-355)
356. See, for example, Ultratec, Inc. v. Sorenson Commc’ns, Inc., No. 13-CV-346, 2015 WL 2248437, at \*2 (W.D. Wis. May 13, 2015), in which a jury returned a verdict in the patent holder’s favor five months before the PTAB invalidated several of the asserted patent claims in inter partes review. [↑](#footnote-ref-356)
357. *See* Fresenius BIO, *supra* note 345, at 30. [↑](#footnote-ref-357)
358. *See supra* Part I.B. [↑](#footnote-ref-358)
359. In 2014, the PTO received 343 requests for ex parte reexamination, which is down from a pre-AIA high of 787 in 2012. Ex Parte Reexamination Filing Data, *supra* note 48, at 1. [↑](#footnote-ref-359)
360. *See* 35 U.S.C.§ 302. [↑](#footnote-ref-360)
361. *See supra* note 327. [↑](#footnote-ref-361)
362. *See supra* notes 89-93 and accompanying text. [↑](#footnote-ref-362)
363. The concept of staged adjudication is attracting increasing attention in the institutional design literature. *See, e.g.*, Louis Kaplow, *Multistage Adjudication*, 126 Harv. L. Rev. 1179, 1223-25 (2013); *see also* Greg Reilly, *Linking Patent Reform and Civil Litigation Reform*, 47 Loy. U. Chi. L.J. (forthcoming 2015) (manuscript at 6), *available at* http://ssrn.com/abstract=2568443 (suggesting staged litigation as a means to reduce the costs of discovery in patent cases). [↑](#footnote-ref-363)
364. *See* Markman v. Westview Instruments, Inc., 517 U.S. 370, 377 (1996). [↑](#footnote-ref-364)
365. Having the PTO decide validity issues first would make sense because one ruling of invalidity precludes all future enforcement efforts, as the Supreme Court held in *Blonder-Tongue*. Thus, a ruling of invalidity is more valuable to the public than a ruling of noninfringement, which would not preclude a future suit against a different defendant. *See* Megan M. La Belle, *Against Settlement of (Some) Patent Cases*, 67 Vand. L. Rev. 375, 397-401 (2014). For a proposal that the issues of validity and infringement be staged *within* district court litigation to reduce accused infringers’ incentives to argue for noninfringement rather than invalidity, see Roger Allan Ford, *Patent Invalidity Versus Noninfringement*, 99 Cornell L. Rev. 71, 119 (2013). [↑](#footnote-ref-365)
366. *See* Arjun Rangarajan, *Towards a More Uniform Procedure for Patent Invalidation*, 95 J. Pat. & Tradmark Off. Soc’y 375, 384 (2013); Amy J. Tindell, *Final Adjudication of Patent Validity in PTO Reexamination and Article III Courts: Whose Job Is It Anyway?*, 87 J. Pat. & Trademark Off. Soc’y 787, 801 (2007). [↑](#footnote-ref-366)
367. *See* John F. Duffy, *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*, 2 Wash. U. J. L. & Pub. Pol’y 109, 145-48 (2000); *see also* Ilardi, *supra* note 139, at 2242 (proposing, as a mechanism to avoid conflicting court and PTO decisions on patent validity, to use the primary jurisdiction doctrine to mandate that courts refer certain validity issues to the PTO). [↑](#footnote-ref-367)
368. *See* Patent Act of 1790, §§ 5-6, 1 Stat. 109, 111-12. Shifting validity proceedings entirely to the PTO would also require Congress to eliminate the authority of the International Trade Commission to rule on patent validity, which seems unlikely to occur. *See* Thomas F. Cotter, *The International Trade Commission: Reform or Abolition?*, 98 Cornell L. Rev. Online 43, 53 (2013); *see also supra* notes 30, 40 (discussing the ITC’s authority over patent disputes). [↑](#footnote-ref-368)
369. The PTO currently employs about 250 PTAB judges. *See* Ryan Davis, *Departing PTAB Chief Judge Hailed for Smooth AIA Launch*, Law360 (May 19, 2015), http://www.law360.com/articles/657843. [↑](#footnote-ref-369)
370. *See supra* note 45. [↑](#footnote-ref-370)
371. *See* John M. Golden, *Proliferating Patents and Patent Law’s “Cost Disease,”* 51 Hous. L. Rev. 455, 483 (2013). [↑](#footnote-ref-371)
372. *See* 35 U.S.C. §§ 315(e)(2), 325(e)(2). [↑](#footnote-ref-372)
373. 35 U.S.C. § 301(e). [↑](#footnote-ref-373)
374. *See supra* notes 41-42 and accompanying text. [↑](#footnote-ref-374)
375. *See* Dreyfuss, *supra* note 18, at 40 (suggesting alignment of claim construction standards, arguing that “[a]llowing patent holders to rely on prior PTAB claim constructions in enforcement actions would streamline litigation and provide winning patent holders with greater repose”). [↑](#footnote-ref-375)
376. *See supra* notes 27-28 and accompanying text. [↑](#footnote-ref-376)
377. *See* *In re* Cuozzo Speed Techs., LLC, 793 F.3d 1297 (Fed. Cir. 2015) (denying rehearing en banc by a six-to-five vote). [↑](#footnote-ref-377)
378. *See* Protecting American Talent and Entrepreneurship (PATENT) Act of 2015, S. 1137, 114th Cong. § 11(a)-(b); Innovation Act, H.R. 9, 114th Cong. § 9(b) (2015). [↑](#footnote-ref-378)
379. *See supra* Part I.A. [↑](#footnote-ref-379)
380. *See supra* notes 113-114 and accompanying text. [↑](#footnote-ref-380)
381. Support Technology and Research for Our Nation’s Growth (STRONG) Patents Act of 2015, S. 632, 114th Cong. §§ 102-03. [↑](#footnote-ref-381)
382. *See* Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 Geo. L.J. 269, 281-82 (2007). [↑](#footnote-ref-382)
383. In any case, the pending bill, which proposes many other controversial reforms to the patent system, is backed by several Democratic senators and is therefore unlikely to gain traction in the current Congress. [↑](#footnote-ref-383)
384. *See* Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 Stan. L. Rev. 45, 48 (2007). [↑](#footnote-ref-384)
385. *See* Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1500 (2001). [↑](#footnote-ref-385)
386. *Cf.* United States v. Mead Corp., 533 U.S. 218, 228 (2001) (“‘The weight [accorded to an administrative] judgment in a particular case will depend upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade, if lacking power to control.’” (quoting Skidmore v. Swift & Co., 323 U.S. 134, 140 (1944) (alteration in original)). [↑](#footnote-ref-386)
387. *See* Brief for the United States as Amicus Curiae 28, Microsoft Corp. v. i4i Ltd. P’ship, 131 S. Ct. 2238 (2011). [↑](#footnote-ref-387)
388. *See, e.g.*, H.R. Rep. No. 112-98, at 40 (2011). [↑](#footnote-ref-388)