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Stop in the Name of the PTO! A Review of the Fresenius Saga and PTO-Judicial Interplay

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STOP IN THE NAME OF THE PTO! A REVIEW OF THE *FRESENIUS* SAGA AND PTO-JUDICIAL INTERPLAY

*Wayne A. Kalkwarf**

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I. INTRODUCTION

Disputes are a basic tenet of the law. Without disputes there would be no need for the courts, no need for judicial decisions. Whether the conflict is between individuals, statutes, or constitutional provisions, the courts must stand as referees to render final judgment in the contest presented. *Fresenius USA, Inc. v. Baxter International, Inc.*¹ addresses a controversy involving the conflicting interests of Articles I and III of the United States Constitution.

Fresenius concerns the question of how the jurisdictional restrictions of Article III can impact a proceeding involving the Patent Clause of Article I.² The holding of *Fresenius* is heart wrenching. It is the equivalent of watching a brilliantly victorious fencer being stripped of a hard fought championship on account of some obscure, seldom-invoked regulation.³

The decision has had a significant impact in the competitive world of patents, an impact which has yet to be fully realized.⁴ Although the decision is not without its critics,⁵ it is based upon a longstanding technicality of law. Because the technicality exists, the rule must be enforced. But technicalities can be changed, and *Fresenius* emphasizes one such technicality that needs to be changed.

II. *EN GARDE*: FRESENIUS USA VS. BAXTER INTERNATIONAL

The decade-long bout began when Fresenius USA, Inc. and Fresenius Medical Care Holdings, Inc. filed for a declaratory judgment against Baxter International, Inc. and Baxter Healthcare Corporation alleging that claims 26–

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

² U.S. CONST. art. I, § 8, cl. 8.

³ The sport of fencing is replete with obscure rules. For instance, a combatant may be penalized a touch, or point, for failing to shake his opponent's hand after a bout. USA FENCING, USA FENCING RULES FOR COMPETITION, Rule .87, (2014), *available at* <http://www.usfencing.org/page/show/695208-rulebook> (last visited Apr. 17, 2014).

⁴ See *ePlus, Inc. v. Lawson Software, Inc.*, 760 F.3d 1350, 1359–60 (Fed. Cir. 2014). The district court found Lawson in civil contempt for violating a previously issued injunction. Lawson appealed both the injunction and contempt order. During the pendency of Lawson's appeals, the United States Patent and Trademark Office completed a reexamination of the patent in question and determined that the claim in dispute was invalid. In a separate appeal, the Federal Circuit affirmed the invalidity determination and the cancellation of the disputed claim. The Federal Circuit, relying on *Fresenius*, vacated the injunction and contempt order because both were based on a claim which had been cancelled.

⁵ *Fresenius*, 721 F.3d at 1347–65 (Newman, J., dissenting); see also *ePlus, Inc.*, 760 F.3d at 1361–69 (O'Malley, J., dissenting).

31 of U.S. Patent No. 5,247,434 ('434 patent) were invalid and not infringed.⁶ Baxter counterattacked by suing Fresenius for infringement.⁷

Baxter was the owner of the '434 patent, which involved a hemodialysis machine.⁸ Hemodialysis machines are used in the place of kidneys to cleanse the blood of toxins.⁹ When a person's blood is pumped through the machine, toxins pass from the blood into a solution called dialysate.¹⁰ The relevant claims of the '434 patent teach the use of a dialysis machine with an integrated touch screen interface.¹¹

In 2003, Fresenius, a manufacturer of hemodialysis machines, filed suit in the United States District Court for the Northern District of California seeking declaratory judgments of invalidity and non-infringement with respect to three Baxter patents, including claims 26–31 of the '434 patent, as well as claims involving U.S. Patent No. 5,744,027 ('027 patent) and U.S. Patent No. 6,284,131 ('131 patent).¹² In riposte,¹³ Baxter counterclaimed for infringement.¹⁴ Fresenius actually stipulated to the infringement of the '434 patent's claims, but argued that the claims were invalid.¹⁵ A jury returned a verdict in Fresenius's favor, finding the relevant claims of the '434 patent invalid and that certain claims of the '027 and '131 patents invalid.¹⁶

Fresenius's early touch was quickly met and surpassed as the district court granted Baxter's motion for judgment as a matter of law finding insufficient evidence to prove that the patents' claims were invalid.¹⁷ A jury trial on damages was then conducted, and the jury awarded Baxter \$14.266 million for infringement on the three patents.¹⁸ The district court then entered a

⁶ *Fresenius*, 721 F.3d at 1331.

⁷ *Id.*

⁸ *Id.* at 1332.

⁹ See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1291–92 (Fed. Cir. 2009).

¹⁰ *Fresenius*, 721 F.3d at 1332.

¹¹ *Id.*

¹² *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. C03–1431, 2007 WL 518804, at *1 (N.D. Cal. Feb. 13, 2007). The original complaint included two additional Baxter patents, U.S. Patent No. 5,326,476 ('476 patent) and U.S. Patent No. 5,486,286 ('286 patent). The district court dismissed all claims concerning the '286 patent in 2006, while Baxter dismissed the '476 patent claims from the suit prior to the damages trial. *Fresenius*, 721 F.3d at 1332 n.1.

¹³ A riposte is an attack immediately following the parry of an opponent's attack. *Glossary of Terms*, SYNEC-DOC.BE, <http://www.synec-doc.be/escrime/dico/engl.htm> (last visited Apr. 17, 2015).

¹⁴ *Fresenius*, 721 F.3d at 1332.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at 1332–33.

¹⁸ *Id.* at 1333.

permanent injunction, which was stayed, and bestowed upon Baxter ongoing post-verdict royalties on infringing machines and related disposables sold by Fresenius.¹⁹ Both parties, not surprisingly, appealed.²⁰

On September 10, 2009, the Federal Circuit reversed in part, affirmed in part, vacated in part, and remanded the case to the district court.²¹ The Federal Circuit held that the asserted claims of the '027 and '131 patents were invalid, reversing the district court's decision blessing Baxter's motion for a judgment as a matter of law.²² The court, however, did find that Fresenius had failed to present sufficient evidence that the claims of the '434 patent at issue were obvious.²³ These claims required a "means for delivering the dialysate to a dialysate compartment of a hemodialyzer."²⁴ The court stated that Fresenius had "failed to present any evidence . . . that the structure corresponding to the means for delivering dialysate limitation, or an equivalent thereof, existed in the prior art."²⁵ The Federal Circuit further decreed that because Fresenius had failed to present any evidence that the structure in question existed in the prior art, a judgment as a matter of law was appropriate.²⁶

Thus the court affirmed the district court's grant of judgment as a matter of law regarding the '434 patent claims, reversed the district court regarding the other two patents, and vacated the district court's injunction and royalty awards.²⁷ The Federal Circuit directed on remand that the district court revise or reconsider its injunction in light of the court's reversal regarding the '027 and '131 patents.²⁸ The district court was also "to consider whether the previous [royalty] award [wa]s proper in light of [the Federal Circuit's] modification of the district court's judgment."²⁹ The Federal Circuit noted that, "[i]n particular, . . . our decision . . . may [have] affect[ed] how the district court weighs [the relevant] factors" in determining the royalty award.³⁰

On remand, Baxter lunged for "a final decision on the permanent injunction and ongoing royalties."³¹ Fresenius parried, asserting that it was no longer

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Fresenius*, 582 F.3d at 1291.

²² *Id.* at 1297.

²³ *Id.* at 1296.

²⁴ *Id.* at 1293.

²⁵ *Id.* at 1299.

²⁶ *Id.* at 1300.

²⁷ *Id.* at 1304.

²⁸ *Id.* at 1303.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Fresenius*, 723 F.3d at 1333.

selling the infringing machines, rendering the injunction unnecessary, and that the ordered royalties were unreasonable. Fresenius also sought to retry the pre-verdict damages on the '434 patent.³² On May 26, 2011, the district court denied Fresenius's motion for a new trial on the question of pre-verdict damages.³³ In December 2011, the district court then held an evidentiary hearing on the issue of post-verdict royalties.³⁴ By this time, the permanent injunction had become moot as the '434 patent had expired in April 2011.³⁵

On March 8, 2012, the district court awarded Baxter post-verdict damages, but at a reduced royalty rate.³⁶ On March 16, 2012, the district court entered its final judgment for Baxter.³⁷ Fresenius was ordered to pay Baxter over \$23 million in damages and interest, in addition to royalties, for units sold prior to the expiration of the '434 patent.

Naturally, Fresenius appealed.³⁸ Baxter countered, cross-appealing the district court's reduction of the post-verdict royalties.³⁹ On May 3, 2012, the district court granted Fresenius's motion to stay the execution of the new judgment pending appeal.⁴⁰ In granting the stay, the district court rejected the argument that Baxter was entitled to enforce and execute the 2007 judgment.⁴¹ The district court explained that "the March 16, 2012 final judgment appears to supercede [sic] the Nov. 7, 2007 final judgment."⁴²

In the meantime, while the parties were thrusting accusations back and forth in the third branch of government, Fresenius performed a brilliant *attaque au fer*.⁴³ In 2005, Fresenius requested an ex parte reexamination with the United States Patent and Trademark Office (PTO) of claims 26–31 of the '434 patent, the only claims which were ultimately remaining in the pending infringement litigation.⁴⁴ In January 2006, the PTO agreed that a substantial new question of

³² *Id.*

³³ See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 03–1431, 2011 WL 2160609 (N.D. Cal. May 26, 2011).

³⁴ *Fresenius*, 721 F.3d at 1333.

³⁵ *Id.*

³⁶ *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 03–1431, 2012 WL 761712, at *14–16 (N.D. Cal. Mar. 8, 2012).

³⁷ *Fresenius*, 721 F.3d at 1334.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ An *attaque au fer* is an attack on the opponent's blade. *Glossary of Terms*, SYNEC-DOC.BE, <http://www.synec-doc.be/escrime/dico/engl.htm> (last visited Apr. 17, 2015).

⁴⁴ *Fresenius*, 721 F.3d at 1334; *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1360 (Fed. Cir. 2012), *reh'g en banc denied*, 698 F.3d 1349 (Fed. Cir. 2012).

patentability had been raised in light of new prior art, and granted the request for a reexamination.⁴⁵

The PTO's reexamination proceeded on a parallel track with the district court litigation.⁴⁶ In December 2006, less than a year before the damages trial, the PTO examiner raised the yellow card⁴⁷ after reaching an initial determination that the claims would have been obvious.⁴⁸ A year later, in December 2007, the red card⁴⁹ went up as the PTO examiner reached a final determination rejecting claims 26–31 of the '434 patent.⁵⁰ The examiner concluded that all structures required by claim 26, including the “means for delivering the dialysate,” were present in the prior art, and that the claim would have been obvious.⁵¹ The examiner also determined that claim 30 would have been obvious over a combination of references which were not before the PTO during the initial examination.⁵² Thus, the patent examiner found new, invalidating prior art that had not been raised in the initial examination or in the prior district court proceedings.⁵³

In March 2010, the Board of Patent Appeals and Interferences upheld the examiner's determination that the relevant claims would have been obvious in light of the prior art that had been overlooked in the initial examination.⁵⁴ Baxter contested the examiner's analysis of the prior art.⁵⁵ The Board noted, however, that Baxter never argued in the reexamination proceeding that one particular reference failed to teach the “means for delivering the dialysate” required by claim 26, nor that an additional reference failed to teach claim 30's “means for delivering an anticoagulant.”⁵⁶ This, despite the fact that these were

⁴⁵ *Fresenius*, 721 F.3d at 1334.

⁴⁶ *Id.*

⁴⁷ In fencing, the yellow card indicates a minor rule infraction. *Glossary of Terms*, SYNEC-DOC.BE, <http://www.synec-doc.be/escrime/dico/engl.htm> (last visited Apr. 17, 2015).

⁴⁸ *Fresenius*, 721 F.3d at 1334.

⁴⁹ The red card indicates a more serious rule infraction and results in either the loss of a touch or a point being awarded to the other fencer. *Glossary of Terms*, SYNEC-DOC.BE, <http://www.synec-doc.be/escrime/dico/engl.htm> (last visited Apr. 17, 2015). See also MAXWELL R. GARRET ET AL., FOIL, SABER, AND ÉPÉE FENCING 152 (1994).

⁵⁰ *Fresenius*, 721 F.3d at 1334.

⁵¹ *Ex parte Baxter*, No. 2009–006493, 2010 WL 1048980, at *5–6, *8–9, *14 (B.P.A.I. Mar. 18, 2010).

⁵² *Fresenius*, 721 F.3d at 1334; *Ex parte Baxter*, 2010 WL 1048980, at *15, *17.

⁵³ *Fresenius*, 721 F.3d at 1334; *In re Baxter*, 678 F.3d at 1365.

⁵⁴ *Fresenius*, 721 F.3d at 1335.

⁵⁵ *Id.*

⁵⁶ *Id.* (citations omitted).

the very elements of the claims that Baxter had successfully argued, were missing from the prior art in the district court proceedings.⁵⁷

After the Board denied rehearing, Baxter appealed to the Federal Circuit.⁵⁸ The court raised the black card,⁵⁹ affirming the PTO's determination that the rejected claims would have been obvious from the prior art.⁶⁰ The court explained the determination was not inconsistent with the court's holding in the infringement litigation because the examiner had "sufficiently identified the corresponding structure recited in [claim 26 of] the '434 patent" and could "identif[y] the structures in the prior art" that would have rendered the asserted claims unpatentable.⁶¹ Moreover, the examiner had "based [the] rejections on prior art references that were not squarely at issue during the trial on the invalidity issues."⁶² The Federal Circuit denied rehearing en banc,⁶³ issuing its mandate on November 2, 2012.⁶⁴ Baxter did not file a petition for certiorari with the Supreme Court of the United States.⁶⁵ Fresenius's *prise de fer*⁶⁶ was complete when the PTO issued a certificate cancelling claims 26–31 of the '434 patent.⁶⁷

During various periods in the judicial infringement proceedings, the district court declined to stay the case pending the PTO reexamination.⁶⁸ In June 2007, the district court recognized the potential impact the PTO proceedings would have on the infringement suit.⁶⁹ The court acknowledged that the PTO had "already made initial, non-final determinations that the subject claims in the patents-in-suit are invalid," and that "if all the claims are invalidated, as the PTO's initial non-final determinations might imply, there will be no issues to

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ The black card indicates the most serious offenses in a fencing competition. The offending fencer is usually expelled from the event or tournament. *Glossary of Terms*, SYNEC-DOC.BE, <http://www.synec-doc.be/escrime/dico/engl.htm> (last visited Apr. 17, 2015). See also MAXWELL R. GARRET ET AL., FOIL, SABER, AND ÉPÉE FENCING 152 (1994).

⁶⁰ *Fresenius*, 721 F.3d at 1335; *In re Baxter*, 678 F.3d at 1366.

⁶¹ *Fresenius*, 721 F.3d at 1335 (quoting *In re Baxter*, 678 F.3d at 1364–65).

⁶² *Id.* (quoting *In re Baxter*, 678 F.3d at 1365).

⁶³ *In re Baxter Int'l, Inc.*, 698 F.3d 1349 (Fed. Cir. 2012).

⁶⁴ *Fresenius*, 721 F.3d at 1335.

⁶⁵ *Id.*

⁶⁶ A *prise de fer*, literally "taking the blade," is an attack in which the fencer attempts to control the opponent's weapon. *Glossary of Terms*, SYNEC-DOC.BE, <http://www.synec-doc.be/escrime/dico/engl.htm> (last visited Aug. 17, 2015).

⁶⁷ See *Ex parte* Reexamination Certificate, U.S. Pat. No. 5,247,434 C1 (P.T.O. Apr. 30, 2013).

⁶⁸ *Fresenius*, 721 F.3d at 1335.

⁶⁹ *Id.*

try.”⁷⁰ The court concluded that “it is also possible that the PTO’s [initial] determination will have no ultimate bearing on the damages determination in this case, as the PTO’s initial actions were non-final and non-binding, and the PTO is free to reconsider its initial determinations.”⁷¹ The district court denied the stay due to the possibility that the examiner’s determination could change.⁷² The district court again declined to issue a stay for similar reasons in 2011.⁷³

On March 16, 2012, while the appeal of the PTO’s reexamination decision was pending before the Federal Circuit, the district court entered judgment for Baxter.⁷⁴ On May 17, 2012, the Federal Circuit affirmed the PTO’s rejection of the ’434 patent’s claims.⁷⁵

In the latest *Fresenius* case, the court addressed the issue of whether, under the reexamination statute, the cancelling of claims is binding in a pending infringement case.⁷⁶ The Federal Circuit ruled that it was, and thereby stripped Baxter International of its multi-million dollar verdict.⁷⁷

III. THE RULE BOOK

As with anything in life, one must know the rules. Although some legal doctrines may be more difficult to follow than an eighteenth century encyclopedia of chivalrous swordplay, the rules of any game must be followed. It is by understanding the rules that success is achieved. To understand the reissue authority of the PTO, the history and scope of that power must be studied. This understanding is important because the reexamination statute provides that reexamined claims “have the same effect as that specified in section 252 for reissued patents”⁷⁸

The year was 1832 and Congress had codified the Supreme Court’s decision that even in the absence of a statutory provision authorizing reissue, where an innocent mistake had been made in granting a patent,⁷⁹ “[a]ll would admit that a new patent, correcting the error, . . . ought to be issued.”⁸⁰ In the course of the

⁷⁰ *Id.* (internal quotation marks and citations omitted).

⁷¹ *Id.* (internal quotation marks and citations omitted).

⁷² *Id.*

⁷³ *Id.* (citing *Fresenius*, 2011 WL 2160609, at *1 (“[T]he effect on this litigation of any final action on the reexamined ’434 patent is far from clear.”)).

⁷⁴ *Id.* at 1336.

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.* at 1347.

⁷⁸ 35 U.S.C. § 307(b) (2012).

⁷⁹ *Fresenius*, 721 F.3d at 1336.

⁸⁰ *Grant v. Raymond*, 31 U.S. 218, 242 (1832).

reissue proceeding, “the patent office [is] authorized to deal with all [the patent’s] claims . . . and might declare them to be invalid.”⁸¹ The first version of the reissue statute provided that an original patent was surrendered and canceled upon application for reissue.⁸² Thus, upon surrender, the original patent became inoperative. The patentee would then proceed to protect his rights under the reissued patent.⁸³

The statute was revised in 1870 to provide that the surrender and cancellation took place upon completion of the reissue proceeding.⁸⁴ Prior to 1928, reissuance of a patent extinguished all pending claims based on that patent because the original patent was considered canceled.⁸⁵ The Supreme Court decisions construing the reissue statute “uniformly held that if a reissue is granted, the patentee has no rights except such as grow out of the reissued patent. He has none under the original. That is extinguished.”⁸⁶ Furthermore, when a claim was canceled pursuant to a reissue, pending litigation based upon that claim ceased.⁸⁷ As the Supreme Court explained in *Moffitt v. Garr*:

[I]n case of a surrender and reissue, . . . the pending suits fall with the surrender. A surrender of the patent to the Commissioner within the sense of the provision, means an act which, in judgment of law, extinguishes the patent. It is a legal cancellation of it, and hence can no more be the foundation for the assertion of a right after the surrender, than could an act of Congress which has been repealed. It has frequently been determined that suits pending, which rest upon an act of Congress, fall with the repeal of it. The reissue of the patent has no connection with or bearing upon antecedent suits; it has as to subsequent suits. The antecedent suits depend upon the patent existing at the time they were commenced, and unless it exists, and is in force at the time of trial and judgment, the suits fail.⁸⁸

⁸¹ *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 612 (1898).

⁸² See generally *id.* at 609–11 (where the Court examines its prior decisions and discusses the process and setting aside and reissuing a patent..

⁸³ *Fresenius*, 721 F.3d at 1336.

⁸⁴ See *McCormick Harvesting*, 169 U.S. at 610–12 (holding that if a reissue application is rejected or abandoned, the original claims are not extinguished).

⁸⁵ See II ANTHONY W. DELLER, WALKER ON PATENTS § 319 (1937); see also *Fresenius*, 721 F.3d at 1336.

⁸⁶ *Peck v. Collins*, 103 U.S. 660, 664 (1880).

⁸⁷ *Moffitt v. Garr*, 66 U.S. 273, 283 (1861).

⁸⁸ *Id.*

The Supreme Court repeatedly applied *Moffitt* after the 1870 statutory amendment.⁸⁹ In *Meyer v. Pritchard*,⁹⁰ the Supreme Court held that the cancellation of a patent mooted the appeal:

Since the appeal in this case, the appellants . . . have surrendered the patent upon which the suit was brought If we should hear the case and reverse the decree below, we could not decree affirmative relief to the appellants . . . because the patent upon which their rights depend has been canceled. There is no longer any real or substantial controversy between those who appear as parties to the suit upon the issues which have been joined, and for that reason the appeal is dismissed⁹¹

In 1928, Congress created an exception to the rule that “all rights [a patentee] had in and under the original patent are forfeited ab initio upon the grant of the reissue.”⁹² Congress amended the reissue statute, authorizing continuance of actions for infringement of the original claims after reissue, but only “to the extent that [the reissued patent’s] claims are identical with the original patent.”⁹³ The Senate Report on the 1928 amendment explained that the change was meant “simply to correct an almost unbelievable and inequitable situation. Under the present law if a patentee applies for a reissue, no matter for what purpose, all rights he had in and under the original patent are forfeited ab initio upon the grant of the reissue.”⁹⁴

As a result of this amendment, the reissue statute now provides that:

[E]very reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are substantially identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the

⁸⁹ See *Allen v. Culp*, 166 U.S. 501, 505 (1897) (holding that the original patent “becomes inoperative” on reissue); *Reedy v. Scott*, 90 U.S. 352, 364 (1874) (“[T]he effect of the surrender is to extinguish the patent, and hence it can no more be the foundation for the assertion of a right than can a legislative act which has been repealed without any saving clause of pending actions.”).

⁹⁰ 131 U.S. App’x CCIX (1877).

⁹¹ *Id.*

⁹² S. REP. NO. 70-567, at 1 (1928).

⁹³ See Pub. L. No. 501, 45 Stat. 732, 732 (codified at 35 U.S.C. § 64 (1928)).

⁹⁴ S. REP. NO. 70-567, at 1; see also H.R. REP. NO. 70-1435, at 1–2 (1928) (similar).

reissued patent, to the extent that its claims are substantially identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.⁹⁵

While

prior to 1928 one could not recover for past infringement of a reissued patent even if the claims were unchanged . . . the 1928 amendment expressly overruled this interpretation, and authorized the reissue of patents to correct errors while enabling recovery for past infringement of claims ‘identical’ to those in the original patent.⁹⁶

The amendment, however, did not change the rule that suits based on cancelled claims require dismissal.⁹⁷ When the patent is reissued, the original claims that are not reissued in identical form become unenforceable.⁹⁸ Thus, the surrender of the original patent will not block any pending litigation or terminate any cause of action to the “extent, but only to the extent, that the claims of the original and reissue patents are identical.”⁹⁹

The PTO “had no power to revoke, cancel, or annul” a previously issued patent under the reissue statute unless a reissue proceeding had been initiated by the patentee.¹⁰⁰ In 1980, Congress changed the rules, authorizing *ex parte* reexaminations to address deficiencies in the reissue statute.¹⁰¹ The *ex parte* reexamination, like a reissuance, is a proceeding meant to correct or eliminate erroneously granted patents.¹⁰² The reexamination statute authorized the PTO

⁹⁵ 35 U.S.C. § 252 (1999).

⁹⁶ *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 810 F.2d 1113, 1115 (Fed. Cir. 1987) (citations omitted).

⁹⁷ *Fresenius*, 721 F.3d at 1338.

⁹⁸ *See Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 976 (Fed. Cir. 1986) (“[T]he patentee has *no* rights [in a non-identical claim] to enforce before the date of reissue because the original patent was surrendered and is dead.”); *Seattle Box Co. v. Indus. Crating & Packing, Inc.*, 731 F.2d 818, 827 (Fed. Cir. 1984) (“The statute does not allow the claims of the original patent some other form of survival. The original claims are dead.”).

⁹⁹ 4A DONALD S. CHISUM, CHISUM ON PATENTS § 15.05 (2013).

¹⁰⁰ *McCormick Harvesting*, 169 U.S. at 612; *see also Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985).

¹⁰¹ *See Patent Act of 1980*, Pub. L. No. 96-517, 94 Stat. 3015 (1980) (codified as amended at 35 U.S.C. §§ 301–307).

¹⁰² *See In re Etter*, 756 F.2d 852, 858 (Fed. Cir. 1985); *see also In re Freeman*, 30 F.3d 1459, 1468 (Fed. Cir. 1994).

to reconsider patents of “doubtful” validity and to cancel “defectively examined and therefore erroneously granted patent[s].”¹⁰³

When a claim is determined to be invalid on reexamination, the Director of the PTO is required to cancel the claim.¹⁰⁴ The statute specifically declares:

In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.¹⁰⁵

“Even if the claim is amended during reexamination to render the claim valid, no suit can be maintained for the period prior to the validating amendment.”¹⁰⁶ “To ensure that a person practicing a patented invention would not be considered an infringer for the period between issuance of an invalid patent and its conversion through reexamination to a valid patent,”¹⁰⁷ Congress limited the enforcement of reissued claims to reexamined claims.¹⁰⁸ Specifically:

Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 [35 U.S.C. § 252] for reissued patents on the right of any person who [infringed] anything patented by such proposed amended or new claim, . . . prior to issuance of a [reexamination] certificate.¹⁰⁹

¹⁰³ *Patlex*, 758 F.2d at 602, 604; *see also In re Swanson*, 540 F.3d 1368, 1378 (Fed. Cir. 2008) (describing “Congress’ purpose of allowing for a reexamination procedure to correct examiner errors”).

¹⁰⁴ 35 U.S.C. § 307(a) (2012).

¹⁰⁵ *Id.*; *see also id.* § 306 (providing patentees with appeal rights from any PTO reexamination “decision adverse to the patentability” of one or more claims).

¹⁰⁶ *Fresenius*, 721 F.3d at 1339.

¹⁰⁷ H.R. REP. NO. 96-1307, at 8 (1980).

¹⁰⁸ *Id.*

¹⁰⁹ 35 U.S.C. § 307(b) (2012).

The Federal Circuit has explained that the reexamination statute restricts a patentee's ability to enforce the patent's original claims to those claims that survive reexamination in "identical" form.¹¹⁰

The Federal Circuit has concluded that the cancellation of claims during reexamination would preclude maintenance of a stayed interference suit involving the same claims.¹¹¹ The court explained:

[T]he reexamination, if carried to completion, is likely to result in the cancellation of all of the claims of [the] patent [over the interfering patent]. That in turn *will require a dismissal of the interfering patents suit*, since a necessary condition for such an action is the existence of two valid and interfering patents.¹¹²

Similarly, in a stayed infringement proceeding, "if the claims were canceled in the reexamination, [it] would eliminate the need to try the infringement issue."¹¹³ In either situation, "a necessary condition for such an action is the existence of [a] valid . . . patent[]."¹¹⁴ The effect of the cancellation of a patent pursuant to the statute, according to the Federal Circuit, is "no insult to . . . Article III."¹¹⁵ Of course, the last thing anyone would want to do is to insult Article III—insulting Article I is apparently another matter. Thus, "under either the reissue or reexamination statute, if the PTO confirms the original claim in identical form, a suit based on that claim may continue, but if the original claim is cancelled or amended to cure invalidity, the patentee's cause of action is extinguished and the suit fails."¹¹⁶

¹¹⁰ See, e.g., *Bloom Eng'g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997) ("Unless a claim granted or confirmed upon reexamination is identical to an original claim, the patent can not be enforced against infringing activity that occurred before issuance of the reexamination certificate."); see, e.g., *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir. 1989); *Fortel Corp. v. Phone-Mate, Inc.*, 825 F.2d 1577, 1581 (Fed. Cir. 1987).

¹¹¹ *Fresenius*, 721 F.3d at 1339–40; *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1340 (Fed. Cir. 1998).

¹¹² *Fresenius*, 721 F.3d at 1340 (emphasis in original) (quoting *Slip Track Sys.*, 159 F.3d at 1340).

¹¹³ *Slip Track Sys.*, 159 F.3d at 1341.

¹¹⁴ *Id.* at 1340; see also *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983) (noting that "[o]ne purpose of the reexamination procedure is to eliminate trial of that issue (when the claim is canceled)").

¹¹⁵ See *Patlex*, 758 F.2d at 604.

¹¹⁶ *Fresenius*, 721 F.3d at 1340.

IV. TIME TO REVISE THE RULES

Congress is entrusted under Article I, Section 8, Clause 8 of the Constitution to promote invention and innovation.¹¹⁷ As part of this duty, Congress has the responsibility of establishing the rules and regulations it feels are necessary to “promote the Progress of [the] . . . useful Arts.”¹¹⁸ Although the Supreme Court has noted that Congress lacks *carte blanche* authority regarding patents due to certain constitutional restrictions,¹¹⁹ a modification of the aforementioned rule book needs to be developed and implemented to avoid the senseless waste of time, money, and judicial resources as was seen in the *Fresenius* cases.

Although the Federal Circuit insists that Congress wants reexaminations to occur concurrent with any pending litigation,¹²⁰ this rule must end. It must cease for the benefit of the parties, for the benefit of the judiciary, and for the benefit of the American economy.

Patent infringement litigation is so expensive that the cost involved can destroy a company.¹²¹ Patent infringement suits have been estimated to involve costs ranging from several hundred thousand dollars to tens of millions of dollars.¹²² Millions of dollars wasted that could be more productively used in research and development, plant expansions, and job creation.

The founding fathers charged Congress in Article 1, Section 8, Clause 8 to encourage discovery and innovation by allowing for the creation of limited monopolies to reward innovation and economic growth.¹²³ Ceaseless litigation does not comply with this constitutional decree, it contradicts it.

¹¹⁷ U.S. CONST. art. I, § 8, cl. 8 states: “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

¹¹⁸ *Id.*

¹¹⁹ *Bonito Boats, Inc. v. Thunder Craft Boats Inc.*, 489 U.S. 141, 146 (1989). Patents cannot be perpetual and may not remove exiting knowledge from the public domain, nor may patents prohibit or restrict access to materials which are already available to the public. *Eldred v. Ashcroft*, 537 U.S. 186, 210 (2003); *Bonito Boats*, 489 U.S. at 146; *Graham v. John Deere Co.*, 383 U.S. 1, 5–6 (1966).

¹²⁰ *Fresenius*, 721 F.3d at 1339 & n.7.

¹²¹ Joel T. Beres & Melissa Hunter Smith, *The Supreme Court Redefines “Exceptionality” and Lowers Bar for Recovery of Attorney Fees in Patent Suits*, BUS. L. TODAY 1, 1 (June 2014).

¹²² John M. Golden, *Litigation in the Middle: The Context of Patent-Infringement Injunctions*, 92 TEX. L. REV. 2075, 2091 (2014).

¹²³ *Bonito Boats*, 489 U.S. at 151; *Graham*, 383 U.S. at 5–9.

V. CONGRESSIONAL HISTORY SHOULD REPEAT ITSELF

Before the United States Court of Appeals for the Federal Circuit was created under the Federal Courts Improvements Act of 1982,¹²⁴ district court judgments in patent cases were appealed to the applicable regional circuit courts of appeals.¹²⁵ Because multiple regional circuits were involved, variances in patent jurisprudence existed.¹²⁶ Due to this diversity, the statute's objective in establishing the Federal Circuit was to create "a specialized appellate court for patent cases [to increase] 'doctrinal stability in the field of patent law.'"¹²⁷ Thus, Congress created the Federal Circuit as the single appellate court for patents to ensure a "more stable and predictable" forum for patent issues.¹²⁸

Unlike the regional circuits, the Federal Circuit's jurisdiction is limited to specific subjects with national scope.¹²⁹ The Federal Circuit's conception can be traced to proposals made by the Hruska Commission in studying the caseload problems that were being experienced by the federal courts.¹³⁰ It was during the work on this study that the problems involving patent litigation were brought to the attention of Congress.¹³¹

The Patent and Trademark Office was responsible for the initial determinations of patentability.¹³² Although the Patent and Trademark Office was allowed to create its own theories concerning patentability, those theories, along with the decisions of its reviewing court, the Court of Customs and Patent Appeals, did not bind other federal courts.¹³³ Because the regional circuits eroded a patent's presumption of validity by utterly failing to attempt to create uniformity in patent law,¹³⁴ the economic value of patents declined.¹³⁵

¹²⁴ Pub. L. No. 97-164, 96 Stat. 25 (1982).

¹²⁵ Lynda J. Oswald, *Simplifying Multiactor Patent Infringement Cases Through Proper Application of Common Law Doctrine*, 51 AM. BUS. L.J. 1, 6 (2014).

¹²⁶ *Id.*

¹²⁷ *Id.* at 7; S. REP. NO. 97-275, at 5 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 15; *see also* H.R. REP. NO. 97-312, at 16–27 (1981) (presenting "the purpose, background, and need for the legislation").

¹²⁸ S. REP. NO. 97-275, at 6, *reprinted in* 1982 U.S.C.C.A.N. 11, 16; H.R. REP. NO. 97-312, at 23.

¹²⁹ Oswald, *supra* note 125, at 7; *see also* 28 U.S.C. § 1295 (2012).

¹³⁰ Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 6 (1989). The Commission was named in recognition of its chair, Senator Roman Hruska of Nebraska. Paul R. Gugliuzza, *Patent Law Federalism*, 2014 WIS. L. REV. 11, 23. The report may be found at *Comm'n on Revision of the Fed. Court Appellate Sys., Structure & Internal Procedures: Recommendations for Change*, 67 F.R.D. 195 (1975).

¹³¹ Dreyfuss, *supra* note 130, at 6.

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.* at 6.

The irresponsibility of the circuits to achieve patent harmony resulted in a stifling of the useful arts, suffocating business incentives to invest in research and development.¹³⁶

The Federal Circuit's duty was to create order from chaos.¹³⁷ The single appellate forum, like the single litigation forum proposal in this article, was designed to eliminate the wasteful litigation of the past through uniform jurisprudence.¹³⁸ The single court concept was to promote technology and innovation.¹³⁹

VI. UNITING FOR THE COMMON GOOD

This is no longer the 1980s, and the two front strategy in challenging the validity of a patent needs to go the way of the polyester pantsuit. Congress needs to examine the problem illustrated by the *Fresenius* cases. Allowing such a strategy is destructive to all involved—history proves this point. Whether it was the Napoleonic Wars or either of the World Wars, when a country is forced to do battle on two or more fronts, collapse due to a lack of resources is inevitable.

The same is true in a patent litigation proceeding. To characterize patent litigation as anything less than costly economic combat is to view such bouts in a fantasy land. Under the current available procedures, a party challenging the validity of a patent may attack the patent administratively in the PTO and judicially in the courts.¹⁴⁰ Just as in a two-front war, which history has proven to be so devastating, a patent holder may be forced to defend the patent in both costly forums.

This is not to say that an invalid patent should be protected. To the contrary, if a patent is invalid, its knowledge, however valuable, belongs to the citizenry.¹⁴¹ What Congress needs to do is to restrict patent challenges to one front at a time.

The *Fresenius* Saga represents the idol god of two-front waste. *Fresenius*'s legal front began in 2003 in the Northern District of California.¹⁴² Two years later, *Fresenius* filed its request for the ex parte examination with the PTO

¹³⁵ *Id.*

¹³⁶ *Id.* at 7.

¹³⁷ Dreyfuss, *supra* note 130, at 7.

¹³⁸ *Id.*

¹³⁹ *Id.*

¹⁴⁰ *Fresenius*, 721 F.3d at 1331–32, 1334–35, 1339–40.

¹⁴¹ *Bonito Boats*, 489 U.S. at 152.

¹⁴² *Fresenius*, 721 F.3d at 1332.

regarding the contested claims in the '434 patent.¹⁴³ Months later, the PTO agreed a substantial question of patentability had been raised due to new prior art, thereby granting the reexamination request.¹⁴⁴

By January 2006, the parties and the district court were on notice that the PTO was concerned that the claims in question did not meet the requirements of patentability. In December, the PTO made the initial determination that the claims were obvious,¹⁴⁵ with the final determination rejecting the claims occurring a year later.¹⁴⁶ Thus, in December 2007, just four years after the initial filing of the lawsuit, the PTO had determined that the claims were invalid. The parties continued to litigate the patent by appealing the PTO's December 2007 decision administratively through the Board of Patent Appeals and Interferences¹⁴⁷ to the Federal Circuit, which ultimately upheld the rejection of the claims.¹⁴⁸

Despite the initial warning by the PTO in January 2006, with a final determination rejecting the claims in December 2007, the parties proceeded to waste six years and a fortune in litigation costs just to reaffirm a 2007 decision by the PTO that had been repeatedly upheld on appeal.

VII. THE NEW RULE

The solution to this chaotic litigation Ferris wheel is for Congress to grant the PTO the authority to order a stay of any federal court proceeding until the PTO resolves a reexamination proceeding which may be pending during a litigation action. The idea is not without precedent.

Under 11 U.S.C. § 362(a)(1), Congress directed automatic stays be imposed upon judicial proceedings when a debtor files for bankruptcy.¹⁴⁹ This same

¹⁴³ *Id.* at 1334; *In re Baxter Int'l, Inc.*, 678 F.3d at 1360.

¹⁴⁴ *Fresenius*, 721 F.3d at 1334.

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at 1335.

¹⁴⁸ *Id.*

¹⁴⁹ Under 11 U.S.C. § 362(a)(1):

(a) Except as provided in subsection (b) of this section, a petition filed under section 301, 302, or 303 of this title, or an application filed under section 5(a)(3) of the Securities Investor Protection Act of 1970, operates as a stay, applicable to all entities, of—

(1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title;

principle may be applied when a reexamination has been filed with the PTO. This proposal, however, presents four separate scenarios that must be analyzed before the appropriate solution is chosen. As with all plans, each have their benefits and drawbacks.

A. THE SPARK

The spark focuses on the earliest moment when a stay can be issued. This would be the instant when an ex parte reexamination is filed with the PTO. The advantage with providing an immediate stay at this time is that all litigation is halted at the earliest possible moment. The parties are no longer focused on the expense of litigation and may wait until the PTO decides the question regarding the validity of the claims or patent in question.

The biggest problem with this proposal? Abuse. The proposal, although the most attractive with regards to conserving costs related to litigation, is the one most open to abuse by the litigants. This procedure would be a legislative beatification of the litigation mantra: Delay, Delay, Delay.¹⁵⁰

When a defendant is sued for a patent infringement, the entity can immediately halt the litigation proceeding by requesting a reexamination. Whether the reexamination has merit or not, the alleged infringer can unnecessarily delay the litigation process while still continuing to infringe upon the patent. Appropriately harsh sanctions for meritless reexamination requests may prove necessary to curtail this abuse.

B. THE SMOKE

The second opportunity to stay any judicial proceeding would be at the moment a PTO examiner believes that a substantial question of patentability has been raised and the request for reexamination is granted, as what happened in *Fresenius*.¹⁵¹ This moves the needle of credibility regarding the reexamination request further towards the range of legitimacy. Unlike the first option, where the alleged infringer can halt the judicial proceedings simply by filing a reexamination request regardless of merit, requiring a stay once the PTO has made an initial review of the request prevents frivolous reexamination requests from blocking legitimate legal proceedings.

¹⁵⁰ Lou Chang, *The Revised Uniform Arbitration Act and Its Impact Upon the Collective Bargaining Arbitration Process*, 18 Ht. B.J. 4, 14 (2014).

¹⁵¹ *Fresenius*, 721 F.3d at 1334.

To obtain such a grant requires the showing of “a substantial new question of patentability affecting any claim of a patent.”¹⁵² Further, the PTO examiner must make a determination on whether to grant the request within three months of the filing date of the ex parte reexamination request.¹⁵³ Thus, the PTO’s initial decision on the motion is made very quickly after the motion is filed. Further, “a substantial new question of patentability” is not an insignificant standard to satisfy.¹⁵⁴

The problem with this benchmark is that it is still relatively early in the reexamination process. More importantly, the patent holder is not allowed to respond to the reexamination request prior to the reexamination determination.¹⁵⁵ Any response to the reexamination request that may be filed by the patent owner will not be acknowledged or considered in the reexamination determination.¹⁵⁶ In fact, any such statement will be returned or discarded at the PTO’s option.¹⁵⁷ Thus, given that the patent holder has not had the opportunity to file a response, it would seem unfair, from a due process perspective, to issue the stay at this point of the administrative process. It is the equivalent of evaluating a book after reading the first chapter. The first chapter should pique your interest, but it does not tell you the whole story. Further, more in-depth research by the PTO in granting the motion may lead to an ultimate finding that the claims were valid and the grant of the reexamination request was for naught. Thus, the issuance of the stay when the reexamination is granted could needlessly delay court litigation.

C. FIRE

The next logical benchmark at which the PTO could issue the stay is when an examiner has reached an initial determination.¹⁵⁸ At this point, the PTO has had the opportunity to address the concerns raised in the reexamination request and engage in the necessary research.

Although this benchmark may not be the earliest possible option in issuing a stay, it does occur relatively early in the overall litigation landscape. Placed in perspective under the facts of *Fresenius*, it took less than one year between when

¹⁵² 35 U.S.C. § 304; *see also* 37 C.F.R. § 1.510(b)(1).

¹⁵³ 37 C.F.R. § 1.515(a).

¹⁵⁴ THE UNITED STATES PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURES § 2242 (9th ed. 2014), *available at* <http://www.uspto.gov/web/offices/pac/mpep/s2242.html>.

¹⁵⁵ 37 C.F.R. § 1.530(a).

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *See Fresenius*, 721 F.3d at 1334.

the PTO granted the request for the reexamination and the initial determination, and less than two years from when the ex parte reexamination was filed.¹⁵⁹

The detriment of issuing the stay at this point is that the PTO's final determination could be the opposite of the initial determination.¹⁶⁰ Practically speaking, given the amount of money at stake, the delay in this option, although potentially unnecessary, imposes only a slight burden in the overall litigation process. Using the facts of *Fresenius* as an example, only a year passed between the initial determination by the PTO examiner and the examiner's final determination.¹⁶¹ Given that the Federal Circuit issued its final *Fresenius* decision ten years after the filing of the complaint¹⁶² and six years after the PTO's final determination,¹⁶³ a mere one-year delay to save millions of dollars in expenses is an extremely tenable economic compromise.

D. FOUR ALARM FIRE

The fourth benchmark would be when the PTO issues its final determination regarding the reexamination request. The advantage of delaying the stay until this moment would be to ensure that the PTO had finally determined the validity of the patent in question, in the agency's opinion. The disadvantage is that it allows the parallel litigation to proceed for a considerable time. If the PTO concludes that the patent is still valid, no harm is done and the court proceedings are not delayed or unnecessarily impeded. In contrast, if the final determination is one of invalidity, then the parties and court may have expended needless resources during the agency's review process on an invalid patent.

In *Fresenius*, the final decision was issued in December 2007, two years after the ex parte request, one year after the initial determination, but four years after the litigation was initiated.¹⁶⁴ Although arguably not long after the reexamination request was made, years of litigation had still been needlessly expended on invalid claims.

¹⁵⁹ *Id.*

¹⁶⁰ *Id.* at 1335 (This is the reason why the district court in *Fresenius* refused to issue a stay.).

¹⁶¹ *Id.* at 1334.

¹⁶² *Id.* at 1332.

¹⁶³ *Id.* at 1330, 1332.

¹⁶⁴ *Id.* at 1333–34.

E. APPEASING ACADEMIA

To appease the egos of academia and their relentless criticisms, there are other benchmarks at which a stay may be issued. The first is when a party appeals an examiner's final decision to the Patent Trial and Appeal Board, previously known as the Board of Patent Appeals and Interferences.¹⁶⁵ The second is when the Board issues its determination. The third is when there is an appeal of the Board's decision to the Federal Circuit. The fourth is when the Federal Circuit issues a decision on the appeal. The fifth is when a party petitions for a writ of certiorari with the Supreme Court. The sixth would be when the Supreme Court grants the petition of certiorari.

Only the first and second of these scenarios would be applicable to the stay proposal, as these are the only two events still within the administrative universe of the patent office. The remaining scenarios occur in the realm of black-robed judges.

The seismic fault of waiting until an appeal is made to the Board or when the Board issues its decision is delay. The objective of the stay is not to wait until the last possible abstract scenario to allow the patent office to issue a stay. If that were the objective, the answer would be simple. The stay would be issued when the Board renders its decision finding invalidity.¹⁶⁶ But this is not the purpose of the proposed stay. The goals of the stay are to *save* the parties from the economic destruction of litigation costs and *avoid* the erosion of valuable judicial resources. These goals are not satisfied by waiting to issue a stay until an appeal is made to the Board or until the Board issues a decision. It simply allows for the waste of valuable economic resources.

Applying these two options under the facts of *Fresenius*, the Board upheld the examiner's final determination in March 2010.¹⁶⁷ This decision was seven years after the litigation began¹⁶⁸ and five years after the reexamination request was made.¹⁶⁹ That is seven years of needless litigation that would have transpired if the patent office were prohibited from issuing a stay until this benchmark.

¹⁶⁵ Under the Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 7(a)(1), 125 Stat. 284, 313 (2011), the Board's name was changed from the Board of Patent Appeals and Interferences to the Patent Trial and Appeal Board. In order to avoid confusion in this Article with the facts of *Fresenius*, the term "Board" will be used in the remainder of this Article.

¹⁶⁶ A party has six months from the examiner's decision to seek an appeal with the Board. 37 C.F.R. § 1.134.

¹⁶⁷ *Fresenius*, 721 F.3d at 1335.

¹⁶⁸ *Id.* at 1332.

¹⁶⁹ *Id.* at 1334.

Judged by the events which had occurred in the courts, by March 2010, a jury had rendered a verdict in Fresenius's favor, only to have the district court grant Baxter's motion for judgment as a matter of law; a jury trial on damages had been conducted, and Baxter was awarded damages; a permanent injunction was issued; the case had been appealed, argued, and a decision by the Federal Circuit was issued, remanding the case to the district court; and further proceedings had been conducted in the district court.¹⁷⁰ Thus, two jury trials, post-judgment decisions, an appeal, an appellate decision, and additional post-appeal proceedings had all occurred while the administrative process was proceeding in the patent office. The economics of an administrative stay cannot be more evident.

VIII. REVOLUTION AND RESOLUTION

The proposed scenarios, as with many hypothetical ideas, carry both detriments and benefits, problems and solutions. But despite the challenges the scenarios present, they each are better than the status quo. The question left unresolved is which potential solution is the best. Which benchmark will provide the best benefits for the parties and the judiciary in terms of time and economics? Which benchmark will "promote the Progress of . . . [the] . . . useful Arts?"¹⁷¹

The answer is not easy. Answers to tough problems are never easy. The best solution is when the PTO examiner grants the request for a reexamination.

Admittedly, it is a difficult decision to choose between when the reexamination is granted and when the PTO has issued a preliminary determination. At the point of the preliminary determination, the PTO has had the opportunity to take the time and effort to research and address the merits of the reexamination request. If the PTO concludes at the initial determination that the claims appear valid, the parallel litigation is not interrupted. Should the PTO find an issue regarding the validity of the patent, the parties and court are forewarned, and the PTO is given the opportunity to further investigate and possibly invalidate the patent.

However, the objective of the recommendation is to find that moment of convergence when enough facts are available to the PTO so as to give the agency concern that there are issues with the patent without needlessly hindering any court proceedings. The earlier option of issuing the stay when the reexamination is granted is the option that meets this criteria. The goal is to save the parties and courts time and money. Unfortunately, this benchmark has

¹⁷⁰ *Id.* at 1332–33.

¹⁷¹ U.S. CONST. art. I, § 8, cl. 8.

the flaw that the patent owner is prohibited from filing a response to the reexamination request.¹⁷²

Given the one-sided nature of the decision, would it be wise for the courts to be leery of the PTO's decision when a reexamination request is granted? The answer is yes. However, the standard in order to obtain the grant of a reexamination request is of such significance that the logic of obtaining a stay at this point in the administrative process should not be ignored. The request may only be granted if the examiner believes that there is "a substantial new question of patentability."¹⁷³ Given this high standard which must be met and the objective of saving the parties and the judiciary time and resources, the stay should be automatically issued when a request for reexamination is granted.

IX. WILL THE COURTS WHISTLE THE PROPOSAL FOR PASSING FORWARD?¹⁷⁴

Can a proposal that is so simple and so logical be unconstitutional? When attorneys wearing \$2,500 suits and \$30,000 watches, who make a fortune in patent litigation disputes, face a significant income loss from such a stay, these advocates of justice will attack this proposal like a group of rabid skunks. Therefore, undoubtedly, the suggestions of this Article will eventually come under constitutional attack. And yet, despite whatever constitutional arguments may be raised, the proposal survives such scrutiny.

At least one commentator has questioned whether administrative agencies, such as the PTO, have frustrated the founding fathers' "intricate system" of checks and balances between the three branches of government.¹⁷⁵ Specifically, the balance between Congress and the courts. His concern centers on the quasi-legislative role of rulemaking and the quasi-judicial function of adjudication.¹⁷⁶ The Supreme Court "has reasoned that the judiciary's independence from the political branches must be 'jealously guarded,' even at great expense."¹⁷⁷ However, the Court has also recognized that Congress,

¹⁷² 37 C.F.R. § 1.530(a).

¹⁷³ 35 U.S.C. § 304; *see also* 37 C.F.R. § 1.510(b)(1).

¹⁷⁴ Passing forward is also known as *passe avant*. IFV Inc., *Glossary*, CLASSICALFENCING.COM, <http://www.classicalfencing.com/glossary.php#p> (last visited Apr. 17, 2015). The act of passing forward involves placing the rear foot in front of the forward foot and then vice versa—essentially it is a forward step. This action is illegal in sabre fencing. *Glossary of fencing*, WIKIPEDIA.ORG, http://en.wikipedia.org/wiki/Glossary_of_fencing (last modified Apr. 30, 2015, 8:32pm).

¹⁷⁵ Benjamin J. Christoff, *Blurring the Boundaries: How the Additional Grounds for Post-Grant Review in the America Invents Act Raise Issues with Separation of Powers and the Administrative Procedure Act*, 39 U. DAYTON L. REV. 111, 114 (2013).

¹⁷⁶ *Id.*

¹⁷⁷ *Id.* (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 60 (1982)).

under Article I, the article we do not mind offending,¹⁷⁸ has to be able to utilize its constitutional authority, including “delegating the judicial power to non-Article III tribunals.”¹⁷⁹

The Supreme Court is seen as having created two diverse analyses.¹⁸⁰ In the first, the Court nullifies the delegation of judicial authority under Article III, the article which cannot be offended,¹⁸¹ pursuant to “a strict, formalistic approach.”¹⁸² The approach “rigidly preserves the separation of powers and permits Congress to delegate the judicial authority only in a few limited circumstances.”¹⁸³ The second, alternative approach, upholds the “delegation as amenable to the Constitution and promotion of government efficiency.”¹⁸⁴ This analysis examines the function of the delegation, focusing “on whether the core of Article III power has been displaced.”¹⁸⁵

The morning coat, top hat, and high tea formalistic approach is memorialized in *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.*¹⁸⁶ In *Northern Pipeline*, the Court examined Congress’s creation of the bankruptcy courts, whose functions were to be adjudicates “to the federal district courts in the area of bankruptcy.”¹⁸⁷ Congress provided the bankruptcy courts the authority to have subject matter jurisdiction over “all civil proceedings arising under title 11.”¹⁸⁸ Not only did the bankruptcy courts have the authority to conduct jury trials, their “judgments were subject to review by Article III courts under the deferential clearly erroneous standard.”¹⁸⁹

Decreeing loudly that “the independence of the Judiciary [must] be jealously guarded,”¹⁹⁰ the Supreme Court held that Congress may delegate the judicial powers of Article III in only three narrow situations.¹⁹¹ The Court ultimately found the narrow exceptions inapplicable to the bankruptcy courts,¹⁹² thus

¹⁷⁸ See *supra* note 115 and accompanying text.

¹⁷⁹ Christoff, *supra* note 175, at 114.

¹⁸⁰ *Id.*

¹⁸¹ See *supra* note 115 and accompanying text.

¹⁸² Christoff, *supra* note 175, at 114–15.

¹⁸³ *Id.*

¹⁸⁴ *Id.*

¹⁸⁵ *Id.* (internal quotation marks and citation omitted).

¹⁸⁶ 458 U.S. 50 (1982).

¹⁸⁷ Christoff, *supra* note 175, at 115.

¹⁸⁸ *Id.* (quoting 28 U.S.C. § 1471(c) (1976 ed., Supp. IV)).

¹⁸⁹ *Id.*

¹⁹⁰ *Northern Pipeline*, 458 U.S. at 60.

¹⁹¹ *Id.* at 62–67 (identifying the three exceptions as “territorial courts,” “martial courts,” and “legislative courts and administrative agencies . . . to adjudicate cases involving ‘public rights’”).

¹⁹² *Id.* at 71.

finding the Bankruptcy Act of 1978 unconstitutional for offending Article III,¹⁹³ which as everyone now knows cannot and will not be offended.¹⁹⁴

With respect to patents, the most relevant of the three exceptions is the one concerning public rights.¹⁹⁵ While academia, not surprisingly, has engaged in the Socratic mental gymnastics of determining whether patent rights are public or private, simply put:

Private rights are those involving liability of one to another; public rights are those arising “between the government and others.” An example of a public right is the right under an agency’s complex regulatory scheme to compensation in exchange for disclosing information on a new insecticide. An example of a private right is the ownership of land.¹⁹⁶

The Supreme Court and the Federal Circuit, according to the commentator, may be “at odds over the nature of the patent right.”¹⁹⁷ Appearing to designate patent rights as private, the Supreme Court has stated that a patent is “the property of the patentee . . . [and] is entitled to the same legal protection as other property.”¹⁹⁸ Thus, the patent has a presumption of validity that must be litigated only before an Article III court.¹⁹⁹ In contrast, the commentator observes that the Federal Circuit “has repeatedly indicated that the patent right is a public right by virtue of the fact that it is the government that issues the patent.”²⁰⁰ The Federal Circuit has upheld “the PTO’s ability to reclaim post-issuance jurisdiction in order to reexamine patents issued by mistake.”²⁰¹ As if the Constitution were a Halloween pumpkin, the Federal Circuit can arguably be said to have carved out an exception to Article III, allowing the PTO to rectify its mistakes made during the patent prosecution.²⁰² The Supreme Court has yet to address this issue.²⁰³

The propriety of review by the PTO hinges on this private-public dichotomy:

¹⁹³ *Id.* at 76.

¹⁹⁴ See *supra* note 115 and accompanying text.

¹⁹⁵ Christoff, *supra* note 175, at 116.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Id.* (citing *McCormick Harvesting*, 169 U.S. at 609).

¹⁹⁹ Christoff, *supra* note 175, at 116.

²⁰⁰ *Id.* (citing *Patlex*, 758 F.2d at 604).

²⁰¹ *Id.* (citing *Patlex*, 758 F.2d 606–07).

²⁰² *Id.*

²⁰³ *Id.*

If patent rights are essentially private, then a strong argument can be made that jurisdiction over factual issues concerning patent validity that arise after issuance—in addition to legal issues—should be reserved to the constitutional courts rather than an agency. Conversely, if patent rights are public, then the post-issuance question of patent validity may rightly be resolved by the PTO, which administers the public right.²⁰⁴

The commentator concludes:

the Supreme Court's formalistic approach to Article III questions ardently protects the authority of federal courts and looks with skepticism on any displacement of its power. It names three narrow exceptions in which Congress may delegate adjudicative jurisdiction under its Article I legislative power. Like Article III jurisprudence generally, the public rights exception is unclear with respect to patent rights. *Under the formalistic approach, the Supreme Court is likely to strike down a congressional delegation of the judicial power to a non-Article III tribunal.*²⁰⁵

Further, under the Supreme Court's functional approach, the Court examines whether Congress has merged governmental powers in such a way that the core of the judiciary's function "has been usurped and placed in the hands of another branch."²⁰⁶ The approach focuses on substance "rather than doctrinaire reliance on formal categories."²⁰⁷ The Court has listed several factors that are to be considered when analyzing whether Congress has threatened the integrity of the judiciary.²⁰⁸ These factors include: (1) the extent the "essential attributes of judicial power are reserved to Article III courts"; (2) the extent "the non-Article III forum exercises the range of jurisdiction and powers normally vested only in Article III courts"; (3) "the origins and importance of the right to be adjudicated"; and (4) the reasons Congress departed from Article III's requirements.²⁰⁹

²⁰⁴ *Id.* at 117 n.53.

²⁰⁵ *Id.* at 117 (emphasis added).

²⁰⁶ *Id.*

²⁰⁷ *Id.* (citing *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 847–48 (1986)).

²⁰⁸ *Id.* at 118.

²⁰⁹ *Id.* (internal quotation marks omitted).

The Court has found the public rights exception depends on the substance of the claims instead of the parties.²¹⁰ Thus, the federal government does not need to be a party for public rights to be involved.²¹¹ Conversely, the federal government's position as a party does not necessarily mean that a public right is involved.²¹² Thus, Article I permits agencies to conduct a "complex regulatory scheme to allocate costs and benefits among voluntary participants *in the program* without providing an Article III adjudication."²¹³ The Supreme Court has stated that where private rights are in dispute in a non-Article III forum, the role of the tribunal is limited to fact-finding, and any legal rulings are advisory.²¹⁴

Under the aforementioned commentator's analysis, the post-grant review of 35 U.S.C. § 324(b) should be considered the next apocalypse upon the Constitution. However, his concerns are simply inapplicable to the proposed procedural stay in this case. Patents are within the exclusive authority of Article I. It is Congress who is responsible for designing rules and procedures regarding patents. The debate of whether the patent is private or public does not implicate a constitutional plague upon the stay proposal.²¹⁵

Further, Article III provides Congress with the authority to control the jurisdiction of the federal courts. Under the proposal, Congress could limit a federal court's authority to proceed with patent litigation cases until a parallel administrative proceeding is resolved. Indeed, there is clear precedent for such authority. As previously noted, 11 U.S.C. § 362(a)(1) automatically stays pending Article III judicial proceedings when a bankruptcy action is filed.²¹⁶

The stay is also consistent with nearly two hundred years of Supreme Court precedent.²¹⁷ By authorizing the stay, Congress is allowing the PTO to exercise

²¹⁰ *Id.* at 119.

²¹¹ *Id.*

²¹² *Id.*

²¹³ *Id.* (emphasis in original, internal quotation marks and citation omitted).

²¹⁴ *Id.*

²¹⁵ *Bonito Boats*, 489 U.S. at 146–47, 152.

²¹⁶ See *supra* Part VII and accompanying text.

²¹⁷ *Grant*, 31 U.S. at 242:

If the mistake should be committed in the department of state, no one would say that it ought not to be corrected. All would admit that a new patent, correcting the error, and which would secure to the patentee the benefits which the law intended to secure, ought to be issued. And yet the act does not in terms authorise [sic] a new patent, even in this case. Its emanation is not founded on the words of the law, but is indispensably necessary to the faithful execution of the solemn promise made by the United States. Why should not the same step be taken for the same purpose, if the mistake has been innocently committed by the inventor himself?

its current authority to correct its errors, invalidate claims, and extinguish the patent, resulting in the discontinuation of pending litigation. The administrative stay is nothing more than a time-out in the long, hard-fought gamesmanship that is patent litigation.

The stay does not involve the private property verses public right debate. The stay does not threaten the integrity of the judiciary.²¹⁸ The stay involves neither fact-finding, nor legal rulings. The stay simply stops the judicial proceedings to allow the PTO to exercise its administrative duties and allow its administrative decisions to be judicially reviewed by Article III courts before any derivative judicial action continues.

The courts are not deprived of any authority to address the validity of the patent. The review is simply restricted to one forum at a time. The proposal allows Article I and Article III to operate as a coordinated pair. For these reasons, the stay would not offend the Constitution and the proposed procedure would overcome any constitutional challenge.

X. THE COUP DE GRÂCE²¹⁹

Sanctified with the blessings of the founding fathers, constitutionally protected in Article I, Congress is required to “promote the Progress of . . . [the] . . . useful Arts.”²²⁰ Patents are designed to reward innovation and improvements.²²¹ So, it is completely logical that improvements also be offered and implemented in this country’s patent process. An administrative stay to pending patent litigation is one such improvement. Based upon a bankruptcy procedure, granting the PTO the authority to administratively stay a judicial proceeding to allow the agency to reexamine the validity of a patent is beneficial to the parties and the courts. Should the agency determine the patent invalid, the parties address the dispute in one, not two forums. More importantly, the limited and valuable time of the federal judiciary is not needlessly wasted on a patent that may ultimately be invalidated by the patent office. Therefore, to improve the patent system, to prevent the needless economic annihilation of

²¹⁸ Christoff, *supra* note 175, at 118.

²¹⁹ A *coup de grâce*, literally “blow of mercy,” is a killing blow intended to relieve the suffering of a wounded person or animal, and is, thus, irrelevant to most forms of fencing. It is important to pronounce the “s” sound at the end of *grâce*. Otherwise you are left saying “blow of fat.” *Coup de grace Definition*, MERRIAM-WEBSTER.COM, <http://www.merriam-webster.com/dictionary/coup%20de%20grâce> (last visited Apr. 9, 2015).

²²⁰ U.S. CONST. art. I, § 8, cl. 8.

²²¹ John Morgan & Veronica Sandoval, *Pacific Northwest Perspective: The Impact of the America Invents Act on Nonprofit Global Health Organizations*, 9 WASH. J. L. TECH. & ARTS 177, 181–82 (2014).

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companies, to save American jobs, and to allow the “useful Arts” to “Progress,”²²² the power to allow the PTO to issue an administrative stay should be anointed by Congress.

²²² U.S. CONST. art. I, § 8, cl. 8.

