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Federal Circuit Affirms Patent and Trademark Office's Denial of Patentability Despite Federal Circuit's Prior Holding of Validity

Intellectual Property Client Alert

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On May 17, the Federal Circuit held in *In re Baxter Int'l Inc.* that patentability can be defeated in an *Inter Partes* reexamination despite the same patent being held valid by a court.

Fresenius USA Inc. challenged U.S. Patent Number 5,247,434 (the '434 patent) in the U.S. District Court for the Northern District of California seeking a declaratory judgment of invalidity for obviousness. The district court held the patent valid in favor of the patent owner, Baxter International Inc., with the validity being affirmed by a Federal Circuit panel in 2009.

During the litigation, Fresenius also filed an *Inter Partes* reexamination. The reexamination resulted in rejection of the claims based in-part on different art. The rejection was upheld by the Board of Patent Appeals and Interferences (BPAI), and that decision was also affirmed by the Federal Circuit.

The Federal Circuit rationalized that the court's infringement actions and the Patent Office's reexamination proceedings "take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions," quoting *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008). In citing to *Swanson*, the court explained that a litigation challenger must prove invalidity by clear and convincing evidence to defeat a presumption of validity. For *Inter Partes* reexamination, however, the challengers must meet the much lower standard of a preponderance of the evidence to defeat patentability where there is no presumption of validity.

Judge Pauline Newman dissented. Her opinion chastised the majority for allowing an administrative agency to ignore and oppose the finality of the judiciary. Judge Newman attacked such actions stating that "[n]o concept of government authorizes an administrative agency to override or disregard the final judgment of a court" and "[a] patent that has been adjudicated to be valid cannot be invalidated by administrative action, any more than a patent adjudicated to be invalid can be restored to life by administrative action."

As the U.S. Patent and Trademark Office institutes the new *Inter Partes* Review proceedings of the America Invents Act on September 16, 2012, patent owners and challengers must be fully aware of the interplay between litigation and *Inter Partes* Review. The facts presented in the Baxter case may present certain estoppel effects under the new *Inter Partes* Review proceedings, and these estoppel effects will be defined by specific time frames that determine available actions by a patent owner or challenger, including stays and the inability to raise issues that were or could have been raised during certain proceedings. Patton Boggs guides our clients in navigating the current laws surrounding *Inter Partes* reexamination and prepares clients for the new *Inter Partes* Review to avoid and minimize the loss of rights through such proceedings.

A copy of *In re Baxter* is available [here](#).

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