

# Kluwer Patent Blog

## Post Grant Proceedings In The USPTO

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Recent U.S. Court of Appeals for the Federal Circuit and USPTO decisions underscore the potential value of challenging a granted U.S. patent in a USPTO proceeding, even if the patent already has been held infringed and/or not invalid in district court litigation. In *Fresenius, USA Inc. v. Baxter International, Inc.*, the Federal Circuit interpreted the *ex parte* reexamination statutes (35 USC §§ 301-307) as providing that the final cancellation of claims in a reexamination proceeding is binding on concurrent litigation proceedings, as long as the litigation is still pending. In *SAP America, Inc. v. Versata Development Group, Inc.*, the USPTO found that the challenged claims were invalid, even though the Federal Circuit already had affirmed a jury verdict of infringement. These decisions validate the use of USPTO proceedings to launch collateral attacks on patents in litigation.

### Options For Challenging Granted U.S. Patents In The USPTO

The Leahy-Smith America Invents Act (AIA) created new options for challenging a granted U.S. patent in a USPTO proceeding, by replacing *inter partes* reexamination with *inter partes* review and by providing for post grant review of certain covered business method patents and patents examined under the new first-inventor-to-file laws. In addition, *ex parte* reexamination remains as a lower-cost option for challenging a granted patent at the USPTO.

#### *Fresenius v. Baxter*

The Federal Circuit's recent decision in *Fresenius v. Baxter* puts to end 10 years of litigation between the parties over Fresenius' alleged infringement of certain Baxter patents relating to kidney dialysis machines. While the district court litigation still was in its early stages, Fresenius petitioned for *ex parte* reexamination of one of the patents. Fresenius challenged the same patent in the district court litigation, but both the district court and the Federal Circuit found that Fresenius had not presented sufficient evidence to support the jury verdict of invalidity. In the meantime, the USPTO found that the claims were invalid as obvious. While the infringement case was remanded to the district court for its final determination of damages, the USPTO decision was on appeal to the Federal Circuit.

The Federal Circuit affirmed the USPTO in a [decision issued in May 2012](#). Several judges addressed the apparent inconsistency of that decision with its earlier decision in the district court litigation, issuing [concurring opinions](#) to the denial of Baxter's Request for Panel Rehearing and Rehearing *en banc*. They explained, for example, that the USPTO decision was supported by prior art references and explanations that were missing from Fresenius' district court case.

In the most recent decision, the Federal Circuit stated that the impact of the USPTO decision on the district court litigation “became central when the district court entered final judgment for Baxter on March 16, 2012, while Baxter’s appeal of the PTO’s reexamination decision was pending before us.” Now that the Federal Circuit had affirmed the USPTO determination that the claims of the ‘434 patent were invalid, it had to decide “the effect of the PTO’s cancellation of those claims on the infringement.”

The court read the history and express language of the reissue and reexamination statutes as indicating that cancellation of claims by the USPTO in a reexamination proceeding would impact concurrent district court litigation.

[I]t could hardly be clearer that Congress meant for cancellation to terminate pending suits.

Baxter nevertheless argued that because the district court’s final decision on validity was rendered in 2007, the USPTO’s determination years later should not undo it. In particular, Baxter argued:

[T]he district court’s 2007 judgment is “final” and “binding” on the parties in this case, and therefore has res judicata effect within the pending litigation: “the liability determination and Past Damages Award are now final and Fresenius is precluded from relitigating those issues.”

Unfortunately for Baxter, the Federal Circuit determined that there is “final” and then there is “FINAL,” and the district court decision was not really FINAL.

In this case, there is no question of reopening a final court judgment, because no such judgment has been entered. To be sure, the district court entered a judgment in November of 2007. But while the district court in 2007 entered a judgment final for purposes of appeal, and that judgment might have been given preclusive effect in another infringement case between these parties, it was not sufficiently final to preclude application of the intervening final judgment in *In re Baxter*, and in any event, we set the district court’s judgment aside in the first appeal in the infringement case.

Because the USPTO had canceled the only claims that remained at issue in the litigation, the Federal Circuit determined that “the pending litigation is moot,” vacated the district court’s judgment, and remanded “with instructions to dismiss.”

### ***SAP v. Versata***

*SAP America, Inc. v. Versata Development Group, Inc.* (CBM2012-00001), marks the first final USPTO Patent Trial and Appeal Board (PTAB) decision in a covered business method patent (CBM) proceeding. Indeed, SAP filed a petition for CBM review of Versata’s U.S. Patent 6,553,350 (directed to methods of pricing products for different purchasers) on September 16, 2012, the first day that CBM review became available under the AIA.

Versata had sued SAP for patent infringement in 2007. After a jury trial, SAP was found liable for infringement, but the court ordered a second jury trial on damages. Both parties appealed to the Federal Circuit in 2011, and the court affirmed the finding of infringement in a decision issued in 2013, after the PTAB proceeding was commenced. As noted by the PTAB, “SAP did not appeal

the district court’s claim construction, and the validity of the ’350 patent was not an issue on appeal.”

SAP asserted that certain claims of the ’350 patent were invalid under 35 USC §§ 101, 102, and 112. The PTAB granted the petition with regard to §§ 101 and 102, and SAP agreed to proceed only in relation to § 101 to obtain expedited review. The PTAB construed the claims according to its “broadest reasonable interpretation” (BRI) paradigm, even though its claim construction was different from that of the district court, and found the claims invalid.

The claims recite unpatentable abstract ideas and the claims do not provide enough significant meaningful limitations to transform these abstract ideas into patent-eligible applications of these abstractions.

This decision is likely to be appealed to the Federal Circuit. Indeed, the PTAB decision raises significant questions of law regarding the claim construction that should be applied in a patent trial proceeding at the USPTO:

- Should the PTAB construe the claims according to its “broadest reasonable interpretation” paradigm, or should it construe the claims as a district court would?
- If the claims at issue already have been construed by a district court, should the PTAB adopt that claim construction?

### **Sidestepping Litigation**

One goal of the AIA was to address the high costs and complexity of U.S. patent litigation. One way the AIA pursues this goal is by offering USPTO proceedings as an alternative to litigation for challenging granted U.S. patents. Although the parties in *Fresenius* and *Versata* did not avoid litigation, the decisions in these cases show that USPTO proceedings can be useful to invalidate U.S. patents and avoid or terminate ongoing litigation.

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