

## Federal Circuit “Reverses” Itself, Illustrating Benefits of Pairing Reexamination with Patent Infringement Law Suits

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*Legal Update*

The Federal Circuit in *In re Baxter International* upheld a reexamination decision by the Board of Patent Appeals and Interferences that conflicted with the Federal Circuit’s prior determination of validity of certain claims. The Federal Circuit’s original decision was rendered on appeal from a request by Fresenius, a competitor of Baxter, to declare Baxter’s patent invalid. Fresenius originally lost on certain claims in both the District Court and the Federal Circuit for failing to prove the patent’s invalidity by clear and convincing evidence.

After initiating suit in the District Court, Fresenius filed for *ex parte* reexamination of Baxter’s patent in the United States Patent and Trademark Office (PTO). Fresenius met more success in the reexamination, as the Examiner found certain claims invalid for obviousness. Baxter appealed this decision to the Board of Patent Appeals and Interferences (Board). After oral arguments but before the Board had rendered its decision, the Federal Circuit issued its ruling in *Fresenius* that certain claims of the patent were not proven to be obvious. Baxter petitioned the Director to remand the case back to the examiner in light of *Fresenius*, but the Director refused and simply ordered the Board to “consider” the Federal Circuit’s holding. In contrast to the Federal Circuit, the Board affirmed the examiner’s finding that certain claims were invalid for obviousness. Baxter appealed this decision to the Federal Circuit, and thus for the second time, the Federal Circuit had to make a decision with respect to Baxter’s patent—this time to determine whether the Board erred in ignoring the Federal Circuit’s decision in *Fresenius*.

The Federal Circuit upheld the Board’s determination of invalidity, despite its previous finding that the patent had not been proven to be obvious. The Court attributed the Board’s inconsistent decision to the differing standards of review between (1) court proceedings, which require clear and convincing evidence of invalidity, and (2) reexamination proceedings, which only require that invalidity be shown by a preponderance of the evidence and do not involve a presumption of validity. The Court emphasized that it had never expressly held that Baxter’s patent was valid; it merely held that Fresenius had not proven that the patent was invalid. Moreover, Fresenius provided additional prior art to the Board that it had not provided in litigation. While conceding that the differing standards of review could “quite correctly” lead to different conclusions on the same evidence, the Court noted that absent additional evidence or arguments the Board “ideally should not come to a different conclusion” on validity.

This decision affirms the existing practice of filing for reexaminations in place of or in addition to filing for declaratory judgment in District Court. While the PTO has been implementing different patentability and claim construction standards for reexamination as compared to litigation in federal court for some time, *In re Baxter* made it clear that the Federal Circuit is willing to uphold the PTO’s determinations—even if the Federal Circuit had already made a contradictory determination. Now, litigants can avoid lengthy and costly discovery by challenging a patent in the PTO, with the knowledge that the Federal Circuit is willing to rely upon the PTO’s decision.

For litigants who choose to challenge a patent in the PTO and in court, *In re Baxter* confirms that they are permitted two bites at the apple when timing is appropriate. To take advantage of the PTO’s lower standard of review, however, litigants should consider asserting at least one reference in the reexamination that was not relied on in court. Although the *In re Baxter* decision was not entirely clear in all aspects, it does appear that the Federal Circuit

is more willing to uphold an inconsistent determination on validity by the PTO when the evidence before the PTO was different than the evidence before the court.

**This advisory was prepared by Nutter's Intellectual Property practice. For more information, please contact your Nutter attorney at 617.439.2000.**

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