

Aug 22, 2007

In Reexamination, PTO is Not Bound by District Court Claim Construction

In re Trans Texas Holding Corp. (Fed. Cir. 2007)

Trans Texas holds two patents directed to a system of insulating both deposits and loans from inflationary and short-term interest rate fluctuations. In earlier litigation, a Texas district court construed various claim terms. Now, in reexamination, the PTO has taken a fresh look and offered its own interpretation of the claims.

Issue Preclusion (AKA Collateral Estoppel) traditionally blocks the *same parties* from relitigating the same issue in a later proceeding. CAFC caselaw has identified four elements of issue preclusion:

1. Identity of the issues in a prior proceeding;
2. The issues were actually litigated;
3. Determination of the issues was necessary for the prior judgment; and
4. The party defending against preclusion had a “full and fair opportunity to litigate the issues.”

Ex Parte Proceeding: Although reexamination is an *ex parte* proceeding, the CAFC considers the PTO to be a “party” as any other outcome “simply makes no sense.”

The PTO is plainly a party to these appeal proceedings, and if it were not treated as a party, there would be no basis for even considering the application of issue preclusion in the first place.

Since the PTO did not have an opportunity to litigate the issue in the Texas district court, it cannot be bound by that decision.

[T]he PTO was not even a party to the earlier district court litigation and cannot be bound by its outcome.

Obviousness affirmed.

Posted by Dennis Crouch |

Comments

Allright, Professor. You've now become so scholarly that you can summarize opinions even before the cases are decided? That's a course that I need to take. :) Where did you get a copy of this decision? I don't see it on the Federal Circuit site at <http://www.fedcir.gov/dailylog.html>

Posted by: Bill Heinze | Aug 23, 2007 at 09:40 AM

I'm trying ... <http://www.fedcir.gov/opinions/06-1599.pdf>.

Posted by: Dennis Crouch | Aug 23, 2007 at 09:42 AM

The period at the end (above) seems to screw up the link.
Try this:

<http://www.fedcir.gov/opinions/06-1599.pdf>

Posted by: Just an ordinary inventor(TM) | Aug 23, 2007 at 10:50 AM

So I guess this means that if the Federal Circuit affirms a Markman construction of patent, and that patent later enters reexamination, then the PTO has free reign to reconstrue the claims in a broader fashion -- ie, is not bound by the Federal Circuit construction since the PTO was not a "party" to the litigation. Strange ...

Posted by: nada | Aug 23, 2007 at 10:51 AM

This decision "simply makes no sense". The PTO acts as an arbiter, not a party during ex parte re-exam, who in this case over reached its authority. The PTO has no constitutional or statutory "right" to weigh in on every District Court invalidity determination.

Posted by: Ron Harris | Aug 23, 2007 at 11:08 AM

I see it as a separation of powers issue. Since when does a judiciary proceeding interfere with an administrative branch proceeding when concurrent proceedings exist? By asserting the binding effect of the Markman Order, the judiciary is no longer detached from the executive's functions but is interfering with executive's performance by playing a silently active, undetached role.

We experienced the same issue a couple of years ago but in a different procedural posture. We represented the allegedly infringing party, and the patentee successfully stayed the post-Markman litigation in order to undergo re-exam based on newly-discovered prior art. We could not assert res judicata or collateral estoppel.

The patentee successfully asserted the binding effect of the court's claim construction on the PTO during re-exam using Freeman, even though the PTO expressed reluctance in being bound as shown in the papers of re-exam file. The PTO clearly wanted to narrow the claims. Moreover, on the face of the NIRC, the district court case number is shown as a reason for patentability and why the claims were not narrowed although the PTO was clearly leaning in that direction. Looking at it from a different view, the Markman Order was given the same treatment as prior art. The re-exam was not conducted as an initial examination as it must in *Ethicon v. Quigg* (and no Markman Order could have possibly existed).

In my view, the court -- through its Markman Order -- interfered with the re-exam proceeding to the detriment of the client's liberty interest in the separation of powers and an unfettered re-exam on the newly discovered prior art.

Our separation of powers argument was unsuccessful with the district court after re-examination. The court did not want to revisit the Markman Order or consider an issue of invalidity when the

PTO performed the re-exam in accordance with the interpretation of its Markman Order. The judge who ruled against us had inherited a five-year old stale matter from the judge who issued the Markman Order. She was looking to bury this dog and wasn't interested in taking this matter of first impression.

Just a note about In re Freeman. A final judgment was reached in the matter, and Dr. Freeman was unsuccessful in his first appearance before the CAFC (I think Freeman v. 3M). In that instance, the Markman Order was binding. We he tried to broaden his claim during the subsequent re-exam, the PTO noted that he could have, but that the CAFC was binding on them. The CAFC sided with the PTO in the doctor's second visit before the CAFC in In re Freeman in which he unsuccessfully challenged the PTO's denial.

Posted by: Jim H. | Aug 23, 2007 at 12:13 PM

I don't see anything too surprising about this decision at all. Claim construction is a question of law. A district court during litigation isn't bound by any claim construction applied by the PTO during prosecution. The Federal Circuit isn't bound to a district court's claim construction, so why should the PTO be? So what is the surprising part of this decision?

Posted by: John Whitaker | Aug 23, 2007 at 08:44 PM

Actually, this case is a no-brainer: the PTO uses a different standard than the district court in litigation. In the PTO, the legal standard for claim construction is the broadest reasonable construction. In the district court, the legal standard for claim construction is the correct construction. The PTO owes no deference to the district court and vice versa. This is no different from the fact that the standard for invalidity is de novo in the PTO and clear and convincing in the district court. The PTO can invalidate on reexam (under the lower standard) based on a reference that the district court did not find invalidating under the higher standard. This is pretty elementary stuff -- e.g. why O.J. can be acquitted under the beyond reasonable doubt standard but still be held liable for wrongful death under a preponderance of the evidence standard.

Posted by: TJ | Aug 24, 2007 at 02:56 PM

So if you have a markman, a trial and cafc affirmance of claim construction - necessary to judgment - and pto agrees under in re freedman that the patent is now forever limited to that claim construction - in other words the patent owner (probably runs with the patent - but the "patent" is not a party - that's another question) is bound to not be able to assert any broader claim construction on that patent against anybody even any third party - so that MUST as that point be the "broadest reasonable" claim construction - that should be adopted by pto in a reexam - right?

Posted by: massive confusion | Aug 26, 2007 at 06:05 PM