

Reexamination in Light of *i4i* and *Therasense*

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Two recent high-profile cases – *Microsoft Corp. v. i4i Limited Partnership*¹ and *Therasense, Inc. v. Becton, Dickinson and Company*² – have important repercussions for reexamination. This article reviews those cases and discusses their repercussions.

MICROSOFT V. *i4i* Overview of Case

Microsoft was sued by *i4i* in March 2007 for willful infringement of U.S. Patent No. 5,787,449. A Texas jury found the claims to be infringed and not invalid in August 2009, and the Federal Circuit affirmed soon thereafter. The judgment exceeded \$290 million.

Microsoft argued that the '449 patent claims were invalid under the on-sale bar of 35 U.S.C. § 102(b) based on *i4i*'s sale of a prior software program that allegedly anticipated the claims. Because the PTO had not considered this on-sale-bar question, Microsoft requested a jury instruction that its burden of proof for proving invalidity be by a preponderance of the evidence. The court refused to give such an instruction.

On appeal, Microsoft asked the Federal Circuit to reconsider the clear and convincing evidentiary standard when the prior art had not been considered by the PTO. Microsoft argued that the Supreme Court's

footnote in *KSR International Co. v. Teleflex Inc.* that the presumption “seems much diminished” when the PTO has not considered the validity challenge³ signaled a willingness to reserve the clear-and-convincing evidentiary burden to invalidate a patent for only those cases in which the PTO has already considered the invalidity challenge. The Federal Circuit, however, was not convinced by Microsoft's argument,⁴ prompting Microsoft to file a *certiorari* petition in August 2010 to request the Supreme Court to review the issue.

First and Second Ex Parte Reexamination Proceedings

Reexamination proceedings were concurrently pending during the litigation. After the *Markman* Order was issued and 20 months after *i4i* filed the lawsuit, Microsoft requested *ex parte* reexamination⁵ of *i4i*'s patent in November 2008. In July 2010, 20 months after the filing of the request, the reexamination certificate issued with patentability confirmed for the reexamined claims. In August 2010, at about the same time that *certiorari* was requested, Microsoft filed a second request⁶ for *ex parte* reexamination but it was denied three months later as not raising a substantial new question of patentability. During the first reexamination, Microsoft had an opportunity to have prior art considered under the preponderance standard, which is always used during reexamination. However, because reexamination is limited to review of printed publication prior art, the on-sale bar that Microsoft asserted in the co-pending litigation was not reviewed under the lower standard.

Supreme Court's Decision

The Supreme Court granted Microsoft's *certiorari* petition in November 2010. In its 8-0 decision on June 9, 2011, authored by Justice Sotomayor, the Court rejected Microsoft's argument and held that 35 U.S.C. § 282 requires an invalidity defense to be proved by clear and convincing evidence even though the statute includes no express articulation of the standard of proof. The rationale for the decision was that the statute used terminology that should be given its common law meaning at the time that the statute was enacted. The Court reviewed cases preceding the 1952 Patent Act that observed that the presumption of validity is weakened or dissipated

when the evidence was never considered by the PTO. However, the Court declined to read such cases as suggesting that a preponderance standard would apply. The Court agreed with the Federal Circuit that such cases merely reflect the commonsense principle that new evidence supporting an invalidity defense may carry “more weight” than evidence previously considered by the PTO. The Court further stated that

if the PTO did not have all material facts before it, its considered judgment may lose significant force. And, concomitantly, the challenger's burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain.⁷

The Court was likely influenced by the government's brief, which stated that “the clear-and-convincing evidence standard furthers Congress's intent to channel such challenges to the expert agency.”⁸ However, the Court was careful not to rely on inferential reasoning that the creation of the reexamination system with its lower evidentiary standard showed that Congress intended to choose to have a higher standard for invalidity defenses under § 282.⁹ Instead, the Court noted that while § 282 has been amended several times, Congress has never even considered a proposal to lower the standard of proof.

Without mentioning that reexamination occurs under the preponderance standard or that the patent in question had been reexamined under that lower standard, the Court referred to the creation of the reexamination system, including its expansion to provide *inter partes* reexamination, as evidence of the efforts made by Congress to provide for the removal of “concerns about ‘bad’ patents.”¹⁰ The Court noted that while the reexamination system does not permit some grounds for invalidation such as the on-sale bar, such limits on the reexamination process reflect a balancing of interests.

IMPLICATIONS OF *i4i*

Had the *i4i* case been decided in Microsoft's favor, the decision may have made reexamination somewhat of a less attractive option for challengers compared to litigation because both options would have offered the same preponderance standard for challenges based on printed publication prior art. However, because *i4i* maintains the clear-and-convincing evidentiary standard for all validity challenges in litigation, reexamination will continue to offer a more favorable, evidentiary standard for challengers. That said, the evidentiary standard is typically less important than



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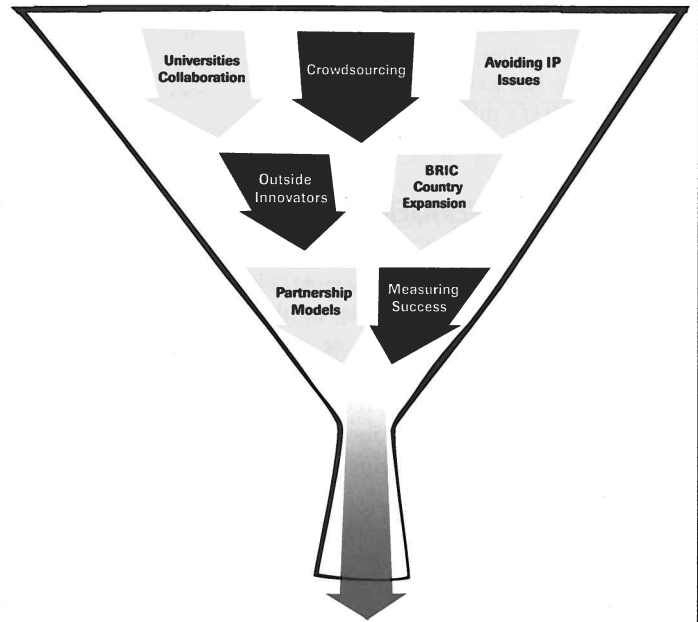
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the combined advantages for the challenger of the following: (1) the absence of the presumption of validity at the PTO, (2) the broadest reasonable interpretation of the claims at the PTO, and (3) the technical expertise of the examiners in the Central Reexamination Unit. Also, since reexamination is usually conducted as an adjunct to litigation and not as an alternative, a change of the evidentiary standard likely would not have had a significant impact.

While not a focus in *i4i*, the Court did clarify that the presumption of validity is weakened or dissipated when the evidence was never considered by the PTO. Patent owners seeking to enhance the strength of a patent will continue to benefit from citing as much non-cumulative art as is available and citing via reexamination or reissue any newly discovered art.¹¹ In dicta, the Court noted that a jury may be instructed to evaluate whether the evidence before it is materially new and to consider that fact when determining whether an invalidity defense has been proved by clear and convincing evidence. Of course, there is likely to be disagreement among litigants as to whether evidence is materially new or cumulative, so the Court suggested that the jury may also be instructed to consider that question. Such distinctions were also a fac-

tor identified by the Court for not requiring a different standard for a reference that was not considered by the PTO.

Thus, because *i4i* condones instructions informing the jury that the PTO has not considered so-called “new” prior art, the case was a partial victory for defendants in future trials where the validity challenge is based on new prior art. The prospect of such a jury instruction may give patent owners some additional incentive to have troublesome prior art considered by the PTO. Similarly, the prospect of such a jury instruction might also give challengers some pause before commencing reexamination because failure in reexamination will result in a less favorable jury instruction than would be possible if the validity challenge were based on new art that was not considered in a reexamination.¹²

THERASENSE

This article does not provide a comprehensive discussion of the Federal Circuit’s en banc split decision (6-1-4) in *Therasense* but merely emphasizes the aspects that impact reexamination practice. Under *Therasense*, an accused infringer seeking to rely on the defense of unenforceability due to inequitable conduct “must prove

that the applicant misrepresented or omitted material information with the specific intent to deceive the PTO.”¹³ The Federal Circuit requires that intent and materiality are separate requirements and established a new “but-for” materiality test. According to the Federal Circuit:

[P]rior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art. Hence, in assessing the materiality of a withheld reference, the court must determine whether the PTO would have allowed the claim if it had been aware of the undisclosed reference. In making this patentability determination, the court should apply the preponderance of the evidence standard and give their broadest reasonable construction.¹⁴

The Federal Circuit further stated:

Often the patentability of a claim will be congruent with the validity determination—if a claim is properly invalidated in district court based on the deliberately withheld reference, then that reference is necessarily material because a finding of invalidity in a district court requires clear and convincing evidence, a

higher evidentiary burden than that used in prosecution at the PTO. However, even if a district court does not invalidate a claim based on a deliberately withheld reference, the reference may be material if it would have blocked patent issuance under the PTO's different evidentiary standards.¹⁵

IMPLICATIONS OF THERASENSE

Therasense requires a district court to conduct a hypothetical assessment of patentability using the standards of the PTO during regular examination or reexamination. Since litigation is increasingly conducted concurrently with reexamination, reliance on stays may increase in cases having inequitable conduct allegations based on failure to disclose printed publication prior art, so that courts can defer to the PTO and await the outcome of the reexamination to see if that prior art is material under the new standard. That is, litigants may turn to reexamination as a proxy to decide materiality. Of course, if the basis for inequitable conduct does not relate to the failure to submit a printed publication, the patent challenger will not be able to rely on reexamination and will need to seek the court's assessment using the PTO's standards.

As noted by Scott McKeown and Stephen Kunin:

Previously the reasonable examiner standard was at least arguably evidenced upon a mere decision to reexamine/reject claims in either form of patent reexamination. However, Post-*Therasense*, the new goal is for the reexamined patent claims to be canceled or amended based on the undisclosed patents and printed pub-

lications, such would be dispositive that the original claims should not have issued in their original form.¹⁶

The same commentators also noted that this framework will make *inter partes* reexamination even more popular than *ex parte* reexamination due to the higher rates for amending or cancelling claims in *inter partes* reexamination that result from the third party's participation and appeal rights.¹⁷ Of course, passage of the patent reform legislation would place post-grant review, when available, or *inter partes* review ahead of reexamination as a preferred choice for a challenger.

As Scott Daniels has observed, *Tele-Publishing, Inc. v. Facebook, Inc.*, No. 1:09-cv-11686-DPW (D. Mass.) and the copending reexamination control no. 90/010,792, is one case to watch for the assertions of materiality under the new standard based on a reexamination.¹⁸

Finally, while *Therasense* may place a higher importance on reexamination in those cases in which inequitable conduct is litigated, the case is also likely to significantly decrease the occurrence of inequitable conduct litigation overall. That is so because *Therasense* decouples intent to deceive from materiality and requires a strong independent showing of intent to deceive. The net effect should be less litigation of inequitable conduct issues and thus less reexamination motivated by litigation of such issues. **IP**

ENDNOTES

1. *Microsoft Corp. v. i4i Ltd. P'ship*, No. 10-290, 2011 U.S. LEXIS 4376 (U.S. June 9, 2011).
2. *Therasense, Inc. v. Becton, Dickinson & Co.*, No. 2008-1511 et al., 2011 U.S. App. LEXIS 10590 (Fed. Cir. May 25, 2011) (en banc).
3. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007).

4. *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010).
5. Control No. 90/010,347.
6. The request for reexamination in Control No. 90/011,198 was filed on August 31, 2010. The request asserted multiple substantial questions of patentability based on the new light provided by admissions of the patent owner during the litigation and the prior reexamination and also based on new references. However, the second request was denied as just questioning the examiner's judgment in the earlier reexamination or based on the lack of a substantial likelihood that a reasonable examiner would consider the new references important with respect to the patentability determination.
7. 2011 U.S. LEXIS 4376, at *35 (citation omitted).
8. Brief for the United States as Amicus Curiae Supporting Respondents, No. 10-290, 2011 U.S. S. Ct. Briefs LEXIS 358, at *49-50 (U.S. Mar. 18, 2011).
9. Scott A. McKeown, Patents Post-Grant, U.S. Government Supports Clear & Convincing Standard (Mar. 24, 2011), <http://www.patentspostgrant.com/lang/en/2011/03/u-s-govt-supports-clear-convincing-standard>.
10. 2011 U.S. LEXIS 4376, at *38.
11. Matthew C. Phillips & Kevin B. Laurence, *The Presumption of Validity after Reexamination or Reissue*, Intellectual Property Today 32-33 (Nov. 2010).
12. *But see* Paul F. Morgan, Patently-O, Microsoft v. i4i - Is the Sky Really Falling? (Jan. 9, 2011) (arguing that differences between evidentiary standards escape the abilities of most juries.), http://www.patentlyo.com/patent/2011/01/microsoft-v-i4i-is-the-sky-really-falling.html?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+PatentlyO+%28Dennis+Crouch%27s+Patently-O%29.
13. 2011 U.S. App. LEXIS 10590, at *24.
14. *Id.* at *37.
15. *Id.* at *37-38.
16. Scott A. McKeown & Stephen G. Kunin, Patents Post-Grant, *Therasense* [sic] Decision & Inter Partes Patent Reexamination (June 14, 2011), <http://www.patentspostgrant.com/lang/en/2011/06/therasense-decision-inter-partes-patent-reexamination>.
17. *Id.*
18. Scott M. Daniels, Reexamination Alert, Update on Facebook's Inequitable Conduct Case after *Therasense* (July 8, 2011), <http://www.whda.com/blog/2011/07/update-on-facebook%e2%80%99s-inequitable-conduct-case-after-therasense/>.

Samsung LED Files Infringement Lawsuits Against OSRAM in the United States International Trade Commission and Federal Court in Delaware

On July 15, Samsung LED Co., Ltd. filed a complaint with the United States International Trade Commission ("ITC") in which it has requested the ITC to issue an exclusion order barring importation of products of OSRAM, OSRAM Opto Semiconductors, and OSRAM Sylvania Inc. into the United States. Samsung LED also filed suit for patent infringement in the United States District Court for the District of Delaware to seek damages and a permanent injunction barring OSRAM's infringement.

Samsung LED alleges infringement of eight patents on core LED technologies. The patented technology is used in a wide range of products, including lighting, automobiles, projectors, cell phone screens, and televisions. OSRAM's TOPLED, DRAGON, OSOLON, CERAMOS, and OSLUX devices, and the products in which they are used, are targets of Samsung LED's complaints. Although Samsung LED has named only the above OSRAM companies in the ITC case, as new information becomes available it will continue to evaluate the potential to add additional parties who may be importing, using or selling the accused OSRAM LEDs in the U.S. market.

In June, Samsung LED also filed a patent infringement action against OSRAM in a Korean court.

Samsung LED has continuously invested in its LED technology development and maintained its core technology related to LED lighting, including LEDs for televisions. Samsung LED has applied for and registered about 4,000 patents, including 2,000 patents in Korea and 700 patents in the United States.

The ITC is an independent U.S. agency empowered to take direct action to stop certain unfair trade practices, including patent infringement. The ITC can prohibit importing infringing products into the United States. It typically takes about 15-18 months after the start of an investigation for the ITC to announce its final determination.