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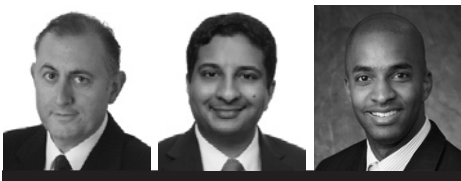
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THE RECORDER

IN PRACTICE

Coordinating litigation and re-examination

Federal Circuit clarifies whether infringement damages are barred if patent is narrowed by patentee's arguments before the PTO



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Patent

In *Marine Polymer Technologies v. Hem-Con*, 672 F.3d 1350 (2012), the U.S. Court of Appeals for the Federal Circuit recently reaffirmed that a patentee cannot recover damages in a patent infringement case after amending its patent claims in re-examination. The Federal Circuit clarified, however, that a patentee is not barred from recovering damages in litigation if it argues for a narrow interpretation of its claims, so long as it does not change the claim lan-

guage. This Federal Circuit *en banc* decision was much-awaited by in-house and patent litigation counsel given the uncertainty created by a Federal Circuit decision issued last year. In that earlier decision, a three-judge panel held that a patentee's arguments made during re-examination — referred to by the court as "amendments in effect" — prevent recovery of damages. The recent *Marine Polymer* decision is a stern reminder that re-examination, if pursued in the face of litigation, must be carefully coordinated within an overall comprehensive patent litigation strategy.

BACKGROUND

Re-examination is a proceeding whereby the U.S. Patent and Trademark Office decides whether the claims of an issued U.S. patent should be permitted to stand in light of prior art. In recent years, we have seen re-examinations initiated by companies threatened with or named as defendants in district court patent litigation. In a re-examination, the PTO may cancel patent claims that are deemed not patentable. Likewise, the patentee may need to amend its claims, for example making them narrower, to survive a re-examination. A re-examination may also conclude with the claims being un-

changed and the patentability being confirmed and/or with new claims issuing. If patent claims are confirmed as patentable, it would naturally be more difficult to challenge their validity thereafter in litigation.

A patentee's position in a district court patent litigation can affect it in a re-examination in the PTO. Consider, for example, a patentee that files a district court patent infringement action and takes an expansive view of its invention to capture a wide array of accused products. An accused infringer may file a request for re-examination and argue in the PTO that, per the patentee's position in court, the patent claims should cover not only the accused products, but also prior art publications, and are therefore invalid. Likewise, a patentee's statements made in a re-examination may have a profound effect on its ability to succeed in patent infringement litigation.

Consider the patentee that characterizes its invention narrowly in re-examination to distinguish prior art. An accused infringer may thereafter bring that to the court's attention and argue, for example, in a claim construction hearing that the patentee disclaimed claim scope in the re-examination. An accused in-

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fringer may also try to argue that the patent claims, as narrowly characterized by the patentee in re-examination, should likewise not cover products accused of infringement in litigation.

A patentee's conduct in re-examination may also affect it in another significant way: the ability to recover damages in a district court action. The statutorily-derived doctrine of "intervening rights" provides that, following a re-examination, a patent holder cannot recover damages for infringement that occurred before the re-examination is completed if the patent claims that resulted from the re-examination are new or in "amended form" and not "substantially identical" to the original claims. 35 U.S.C. §§252, 307. Intervening rights can thus shield infringers from liability when the patent claims are amended during re-examination. During re-examination, a patentee facing a rejection may argue for issuance without amending its claims, may write new claims or may amend claims to overcome the rejection. The issue of what constitutes an amendment — whether that means actual revision of the words of a claim or also includes making arguments that narrow the claims — was presented in the *Marine Polymer* case. The Federal Circuit, albeit by a divided court, ruled that it means the former.

EARLY 'MARINE POLYMER' LITIGATION

Marine Polymer owns U.S. Patent No. 6,864,245 ("the '245 patent"), which discloses and claims a polymer useful in treating serious wounds. The claims at issue included a requirement that the polymer be "biocompatible" in not caus-

ing negative reactions when the polymer is placed in contact with human tissue. Several of those claims required no biological reactivity, as measured by a score of zero on a certain biocompatibility test. Other claims allowed for biocompatibility with non-zero test scores of "slight" or "mild" reactivity.

When amending the text of claims, a patent holder should be cognizant that any change to a claim that would render it not 'substantially identical' to the claim before amendment can create intervening rights.

Marine Polymer filed suit in the U.S. District Court for the District of New Hampshire, accusing HemCon of infringing the '245 patent. Thereafter, HemCon requested re-examination of the '245 patent. In that proceeding, the examiner reasoned that "biocompatible" meant "low variability, high purity and little or no detectable reactivity." Accordingly, the examiner made a preliminary rejection for obviousness. Marine Polymer later canceled the claims requiring non-zero reactivity to overcome the rejection, and persuaded the patent examiner to delete "little" from his construction of "biocompatible." The claims remaining after re-examination were left facially unchanged.

In the litigation, the district court construed "biocompatible" to mean "low variability, high purity and no detectable biological reactivity as determined by reactivity tests," which was consistent with the construction later reached by the examiner in the re-examination. The district court, using its construction of "biocompatible," issued a final judgment of infringement. HemCon appealed the infringement ruling, arguing that Marine Polymer had changed the scope of the patent claims during the re-examination so that intervening rights were created that protected HemCon from liability.

Last year, in a 2-1 panel decision, the Federal Circuit reversed the finding of infringement, reasoning that intervening rights can be created when a patent's claim scope is narrowed during re-examination, even if the language of the claims is not changed. *Marine Polymer Technologies v. HemCon*, 659 F.3d 1084 (2011).

THE EN BANC DECISION

The Federal Circuit *en banc* majority decision holds that intervening rights only apply when the patent at issue contains "amended or new claims." The majority reasoned that to "amend" generally means "to alter ... formally by adding, deleting, or rephrasing." The majority also noted that "amended" is a term of art in patent prosecution, including re-examination proceedings. According to 35 U.S.C. §307, the statute which covers the creation of intervening rights through re-examination, any "amended or new claim" must be "incorporated into a patent." Therefore, the majority opinion reasons that merely making arguments re-

garding claims during re-examination cannot create intervening rights.

The majority underscores the statutory basis for its holding, noting:

“To be sure, patent applicants’ actions and arguments during prosecution, including prosecution in a re-examination proceeding, can affect the proper interpretation and effective scope of their claims. But in rejecting HemCon’s request for intervening rights, we are not here interpreting claims. Rather, we are interpreting a statute that provides for intervening rights following re-examination only as to ‘amended or new’ claims. The asserted claims of the ’245 patent are neither.”

The dissenting opinion states that (1) “amend” does not require change to the actual language of a claim, since “amend” has alternate meanings than suggested by the majority and (2) case law shows that a written document can be “amended” without change to its language. In addition, the dissent expresses concern that the majority opinion creates a loophole in re-examination practice whereby the patent holder “will amend claims by argument rather than formal methods for the very purpose of avoiding intervening rights.”

Addressing the loophole argument, the majority’s opinion reaffirms a PTO examiner’s responsibility to ensure that the scope of the written claims corresponds to the arguments presented. Specifically, the majority held that patent examiners must discount any argument that is inconsistent with the scope of the written claims. The majority opinion indicated that it is “highly unlikely”

that a patent holder would be able to exploit the so-called loophole, noting, “[i]f in re-examination, an examiner determines that particular claims are invalid and need amendment to be allowable, one would expect an examiner to require amendment rather than accept argument alone.”

The majority’s position comports with PTO practice, where examiners interpret claims according to their broadest reasonable interpretation. Accordingly, while a re-examination applicant may make arguments based on a district court claim construction, such arguments, in the court’s view, may not be persuasive under PTO guidelines unless they correlate with the scope of the claims.

Importantly, a re-examination requires a patent holder to make arguments on the record, but these arguments do not always change the scope of the claims. Under the *en banc* decision, even when arguments made in a re-examination impact the effective scope of the claims, intervening rights are not created unless an actual change is made to claim language. Plainly, a patent holder in a re-examination who wants to preserve the ability to seek past damages should avoid changing claim language, unless necessary. When amending the text of claims, a patent holder should be cognizant that any change to a claim that would render it not “substantially identical” to the claim before amendment can create intervening rights. However, as the Federal Circuit recently reasoned, if the text of a claim is amended in re-examination to comport with a prior claim construction ruling of a district court, depending on the cir-

cumstances, such an amendment may be deemed insubstantial. *Aspex Eyewear v. Marchon Eyewear*, 672 F.3d 1335 (2012).

If the *Marine Polymer* panel decision had been upheld, accused infringers would have been able to invoke intervening rights, and thereby limit damages, based solely on arguments made during re-examination — even if the claims of the patent were not changed. Such broadened application of 35 U.S.C. §307 would have caused uncertainty and perhaps a dramatic increase in both re-examination requests and contentions that damages are unavailable due to arguments made by a patentee during re-examination. It also may have led to additional litigation about whether such arguments effectively amended the claims.

In Practice articles inform readers on developments in substantive law, practice issues or law firm management. Contact *Vitaly Gashpar* with submissions or questions at vgashpar@alm.com.

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