

ARISTOCRAT V. IGT: ANOTHER REASON WHY PROVOKING AN INTERFERENCE MAY BE PREFERABLE TO DEFENDING AN INFRINGEMENT ACTION¹

by

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Introduction

Members of the interference bar have been telling their clients and prospective clients for years that, in many situations, provoking an interference is preferable to defending an infringement action. Among the arguments that they have used are that interferences are likely to be far less expensive (I've said that a full-blown interference is likely to cost one-fifth to one-tenth what a full blown infringement action would cost), faster (the BPAI concludes the overwhelming majority of interferences in less than two years), and decided in a more rational fashion (no juries! And decisions by techie judges).³ Moreover, if you represent a prospective defendant in an infringement action, it's good to know that, in an interference, the patentee's claims are not entitled to a presumption of validity and that, except for the issue of fraud/inequitable conduct, your burden of proof on an invalidity/unenforceability issue is only the preponderance of the evidence, rather than clear and convincing evidence. To those long-standing reasons we can now add another: You can prevail in an interference (by which I mean that you can obtain a judgment cancelling your opponent's claims) on a ground that you can't even raise as a defense in an infringement action.

What Aristocrat Held

The opinion in point is Aristocrat Technologies Australia Pty Ltd. v. International Game Technology, 543 F.3d 657, 88 USPQ2d 1458 (Fed. Cir. 2008). Aristocrat was the plaintiff. It had revived the parent of the application which matured into one of the patents in suit. IGT

defended, i.a., on the ground that the revival had been improper⁴ and that the patent was therefore invalid over a reference that was available against its claims if and only if the claims in issue were not entitled to the benefit of the filing date of the parent application. The district court agreed and granted summary judgment to IGT. However, on appeal the Federal Circuit reversed in an opinion delivered by Judge Linn, joined by Judges Newman and Bryson.

The Federal Circuit started its analysis as follows:

The threshold issue in this appeal is whether “improper revival” may be raised as an invalidity defense in an action involving the infringement or validity of a patent.⁵

The emphasized language is key to understanding the point made in this article. As SAPJ McKelvey has often reminded us, an interference involving a patent is not “an action involving the...validity of...[that] patent.” Instead, it is an action involving the patentability of the claims in that patent.⁶ That is, in a patent-application interference, the patent has been returned to the jurisdiction of the Patent and Trademark Office, and, for almost all interference purposes, that patent is treated exactly the same as an application. Specifically, that includes the question of whether an application has been improperly revived.

In sharp contrast, 35 USC 282⁷ “provides a catalog of defenses available in an action involving the validity or infringement of a patent,”⁸ and Aristocrat holds that that catalog is at least semi-exclusive.⁹ Moreover, Aristocrat holds that improper revival is not within the scope of any of those categories:

Because the proper revival of an abandoned application is neither a fact or act made a defense by title 35 nor a ground specified in part II of title 35 as a condition for patentability, we hold that improper revival may not be asserted as a defense in an action involving the validity or infringement of a patent.¹⁰

However, not content to stop with that holding, the court forged ahead into an attempt to explain why its holding was “a good thing.” According to that explanation:

Our conclusion that improper revival is not a defense comports with the approach we took in Magnivision, Inc. v. Bonneau Co., 115 F.3d 956 (Fed. Cir. 1997), which we continue to believe is a sound one. In that case, we concluded that “[p]rocedural lapses during examination, should they occur, do not provide grounds of invalidity. Absent proof of inequitable conduct, the examiner’s or the applicant’s absolute compliance with the internal rules of patent examination becomes irrelevant after the patent has issued.” Id. at 960; see also id. (“Imperfection in patent examination, whether by the examiner or the applicant, does not create a new defense called ‘prosecution irregularities’ and does not displace the experience-based criteria of Kingsdown [Medical Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867 (Fed. Cir. 1988)].”). There is good reason not to permit procedural irregularities during prosecution, such as the one at issue here, to provide a basis for invalidity. Once a patent has issued, the procedural minutiae of prosecution have little relevance to the metes and bounds of the patentee’s right to exclude. If any prosecution irregularity or procedural lapse, however minor, became grist for a later assertion of invalidity, accused infringers would inundate the courts with arguments relating to every minor transgression they could comb from the file wrapper. This deluge would only detract focus from the important legal issues to be resolved—primarily, infringement and invalidity.¹¹

Moreover, the court attempted to harmonize its holding in this case with its holding in Quantum Corp. v. Rodime, PLC, 65 F.3d 1577, 36 USPQ2d 1162 (Fed.Cir. 1995), in which it had said that “Section 282 does not state that the list of invalidity defenses contained therein are the only ones available; the statute merely says ‘[t]he following shall be defenses’.”¹² In view of that troublesome precedent, the court acknowledged that “we have held, on occasion, that a provision of the Patent Act not falling within the limited scope of section 282 may nevertheless provide a defense of noninfringement or invalidity.”¹³ It attempted to explain that glaring inconsistency as follows:

In Quantum...we held that a patentee who improperly enlarged the scope of its claims during reexamination, in violation of 35 U.S.C. § 305, subjected itself to a defense of invalidity, because any other result would render[] the prohibition [against broadening claims] in section 305 meaningless.” Id.

We explained:

If the only penalty for violating section 305 is a remand to the PTO to have the reexamined claims narrowed to be commensurate in scope with what the applicant was only entitled to in the first place, then applicants will have an incentive to attempt to broaden their claims during reexamination, and, if successful, be able to enforce these broadened claims against their competitors....The likelihood that improperly broadened claims will be held invalid will discourage applicants from attempting to broaden their claims during reexamination.

Id. (internal citations omitted).⁵

The analysis and result in *Quantum* are inapposite to this appeal. ***[N]one of the considerations that led us to the rule enunciated in *Quantum* compels a similar result here. A primary concern in *Quantum* was that failure to impose invalidity for violation of the statute would encourage noncompliance. That concern is simply not present here, as we discern no legitimate incentive for a patent applicant to intentionally abandon its application, much less to attempt to persuade the PTO to improperly revive it. Because patents filed after enactment of the Uruguay Round Agreements Act, like the patents at issue here, generally have a term that runs twenty years from the filing date (instead of seventeen years from issue), *** abandoning the application would only serve to shorten the applicant's right to exclude.

⁵ We also point out that since section 282(3) provides an invalidity defense for failure to comply with section 251, which in turn prohibits the broadening of claims in *reissue* applications after two years, 35 U.S.C. § 251 ¶ 4, the result in *Quantum* mirrors the statutory framework set out for the analogous *reissue* context. Cf. *Quantum*, 65 F.3d at 1583.¹⁴

Is that all clear now? A “bad act” not within the literal scope of 35 USC 282 can be a defense in an infringement action if and only if the court thinks that the bad act isn't a mere “[i]mperfection in patent examination,” or one of those pesky “procedural minutiae of prosecution” for which all right thinking people have contempt.

Now, Compare and Contrast Aristocrat With *Sehgal v. Revel*¹⁵

Sehgal v. Revel, 81 USPQ2d 1181 (PTOBPAI 2005) (non-precedential) (per curiam; panel consisting of APJs Shafer, Lane, and Medley), also involved an allegedly improper revival

of a patent application. Sehgal had been tentatively denied the benefit of its first priority date because it had filed its second application as a continuation of its first application six months after an office action without filing a petition for an extension of time. In the interference it moved for the benefit of the filing date of its earliest application, both for purposes of priority and to antedate a reference that was available against its claims in interference if and only if the claims in issue were not entitled to the benefit of the filing date of the parent application.¹⁶ That motion relied extensively on a 35 USC 41(a)(7)/37 CFR 137(b) petition signed by its interference counsel to revive its first application in an attempt to obtain co-pendency.

In its initial opinion, the panel denied Sehgal's motion on the ground that merely filling out the PTO form was insufficient to carry Sehgal's burden of proving that it was entitled to the benefit of the filing date of that application. Sehgal v. Revel, 78 USPQ2d 1954 (PTOBPAI 2005) (non-precedential), discussed in Gholz, A Critique of Recent Opinions in Patent Interferences, 89 JPTOS 1 (2007) in §X.E.4., "The Standards Are Higher in Interferences." In short, Sehgal's interference counsel had not represented either Sehgal or Enzo (Sehgal's assignee) at the time of the abandonment, he had no personal knowledge of why the first application had been allowed to go abandoned, and he had not investigated to ascertain why the first application had been allowed to go abandoned. Instead, he had simply assumed that Enzo's having done so was inadvertent, since he, like the Federal Circuit, could "discern no legitimate incentive for a patent applicant to intentionally abandon its application, much less to attempt to persuade the PTO to improperly revive it."¹⁷

In its request for reconsideration, Sehgal relied on assertions that its petition had complied with the requirements for such petitions set forth in the MPEP. However, that argument went down in flames:

Section 1.137 and the procedures in the MPEP do not govern interference proceedings. Interferences are governed by the applicable provisions of Part 41 of 37 CFR and the orders issued pursuant to those rules. The applicable sections are §§41.1-41.20 and 41.100-208.

The MPEP does not describe procedures to be followed by the board in an interference contest. The MPEP specifically states that it is directed to patent examiners conducting normal examination of patent applications.

Chapter 2300 of the MPEP, titled “Interference Proceedings,” ... provides guidance to examiners with respect to the examiner's duties relating to pre- and post-interference matters. It does not describe the procedures to be followed either by the board or the parties during the interference. Those matters are set forth in the applicable portions of Part 41 and the orders issued by the board.

When this interference was declared, Sehgal left the normal examination of a patent application and entered *inter partes* litigation where the statutes, rules and practices governing interferences are applicable.¹⁸

Comments

(1) So, Revel was allowed to obtain a judgment from the BPAI that Sehgal’s claims in issue were unpatentable because its attempt to revive a parent application was improper,¹⁹ but IGT was not allowed to defend Aristocrat’s infringement action on the ground that Aristocrat’s claims in issue were invalid because its revival of a parent application was improper. Obviously, IGT would have been better off if it had been able to provoke an interference with Aristocrat’s patent.

(2) The court’s attempted distinction of Quantum assumes that abandoning an application in a manner that precludes proper revival is rare and against applicants’ best interests and that, hence, there is no need to bias applicants against doing so by making improper revivals a ground of invalidity notwithstanding its absence from the list in 35 USC 282. However, the

large number of PTO opinions finding attempts to revive improper suggests (to me, anyway) that the court underestimated the problem.²⁰

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³ Of course, if your invalidity arguments are weak, you may not want a rational decision.

⁴ The specifics of the basis on which the application has been revived, while highly entertaining are irrelevant to the point under discussion.

⁵ 543 F.3d at 660-61, 88 USPQ2d at 1460; emphasis supplied.

⁶ See, e.g., Karim v. Jobson, 82 USPQ2d 1018, 1022 n.1 (PTOBPAI 2006) (non-precedential):

It is not apparent to the board why parties in interferences continue to allege that claims of patents involved in interferences are “invalid”. Cf. 35 U.S.C. §282. The board does not have jurisdiction to hold a patent claim “invalid.” Rather, the statute authorizes the board to consider patentability. 35 U.S.C. §135(a). If a patent claim is held to be unpatentable, it is cancelled from the patent. The burden of proof of unpatentability is preponderance of the evidence. In a civil action for infringement, a court may hold a patent claim invalid. Any invalidity holding does not result in cancellation of the claim. The burden of proof of unpatentability has been determined by the courts to be clear and convincing evidence. We would discourage parties from alleging “invalidity” in interference proceedings.

⁷ 35 USC 282 reads in relevant part as follows:

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

- (1) Noninfringement, absence of liability for infringement or unenforceability,
- (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title [35 USC § §100 et seq.] as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title [35 USC § 112 or 251],

(4) Any other fact or act made a defense by this title.

⁸ 543 F.3d at 661, 88 USPQ2d at 1461.

⁹ To understand my use of the formative “semi,” see the discussion of Quantum below.

¹⁰ 543 F.3d at 663, 88 USPQ2d at 1462.

¹¹ 543 F.3d at 663, 88 USPQ2d at 1462; footnote omitted.

¹² 65 F.3d at 1584, 36 USPQ2d at 1168.

¹³ 543 F.3d at 664, 88 USPQ2d at 1463.

¹⁴ 543 F.3d at 664, 88 USPQ2d at 1463.

¹⁵ My colleagues Dan Pereira and Alexander Gasser and I were counsel for Revel.

¹⁶ Thus, the two issues under consideration were identical.

¹⁷ Aristocrat, 543 F.3d at 664, 88 USPQ2d at 1463.

¹⁸ 81 USPQ2d at 1186-87.

¹⁹ Sehgal sought review of that decision in a 35 USC 146 action. See Enzo Therapeutics, Inc. v. Yeda Research and Development Co., 477 F. Supp. 2d 699 (E.D.Va. 2007) (unreported in the USPQ). As of this writing, the remand to the BPAI is still pending.

²⁰ See Gholz and Gasser, What To Do If the Target Patent Has Expired, 15 Intellectual Property Today No. 12 at page 36 (2008), citing In re Maldague, 10 USPQ2d 1477 (Comm’r Pat. 1989); and In re Application of G, 11 USPQ2d 1378 (Comm’r Pat. 1989). For an especially egregious example of why an applicant might intentionally abandon its application and then attempt to persuade the PTO to improperly revive it, see Lawman Armor Corp. v. Simon, 74 USPQ2d 1633 (E.D. Mich. 2005), citing and relying on Lumenyte Int’l Corp. v. Cable Lite Corp., 1996 U.S.

App. Lexis 16400, 1996 WL 383927 (Fed. Cir. July 9, 1996) (non-precedential). However, note that Lawman and Lumenyte were decided before Aristocrat and, hence, presumably no longer represent the current law. I cite them only for the proposition that, contrary to the Federal Circuit's belief, this is a serious problem.