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WHAT IS THE FEDERAL CIRCUIT'S ISSUE WITH USPTO PATENT REEXAMINATION PROCEEDINGS?

*Kevin Tamm**

I. INTRODUCTION

Under 35 U.S.C. § 302, *any person* may request a reexamination of an issued patent to ensure that the patent is valid.¹ One purpose of a broad reexamination statute is unquestioningly “to provide a less costly way of removing or restricting patents that should not have been granted or that were granted too broadly”² Such a procedure is not surprising considering that the American patent system has always been leery of granting broad patent monopolies.³ However, after *In re Construction Equipment Co.*, there remains an unanswered question as to how many times a party may try to invalidate a patent.⁴

A winding trail of patent litigation began in the late 1990s when Construction Equipment Company (CEC) sued Powerscreen for infringing CEC's patent on a portable gravel separator.⁵ CEC named the gravel separator the “Screen-It,” and the device gained popularity while providing value to CEC as “a compact but efficient machine . . . pulled behind a truck from location to location to sort bulk material consisting of soil, dirt, rocks, concrete pieces, stumps and other debris.”⁶ The District Court of Oregon issued an initial injunction against Powerscreen, and soon thereafter determined that Powerscreen was in fact infringing CEC's valid patent via its “Titan” screener,⁷ which performed substantially the same functions as the Screen-It. This

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1. 35 U.S.C. § 302 (2011) (emphasis added). The pertinent part of § 302 states:

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested

2. *In re Constr. Equip. Co.*, 665 F.3d 1254, 1261 (Fed. Cir. 2011) (Newman, J., dissenting).

3. Thomas Jefferson described the patent system as “drawing a line between things which are worth to the public the embarrassment of an exclusive patent, and those which are not.” WRITINGS OF THOMAS JEFFERSON 335 (Bergh ed. 1904), available at <http://www.constitution.org/tj/jeff13.txt>.

4. See *In re Constr. Equip. Co.*, 655 F.3d at 1260 (Newman, J., dissenting). The dissent noted *Burson v. Carmichael*, 731 F.2d 849, 854 (Fed. Cir. 1984), which stated, “There is no support in law for repeated bites at the apple. On the contrary, the law whenever possible reaches for repose.”

5. See *Constr. Equip. Co. v. Powerscreen Int'l Distrib. Ltd.*, 45 U.S.P.Q.2d 1206, at *1207 (D. Or. Oct. 20, 1997). The collective plaintiffs, Construction Equipment Co. and Roger Smith, sued the collective defendants Powerscreen International Plc., Powerscreen of America, Inc., Powerscreen of Washington, and Powerscreen of Northern California. See *id.*

6. *Id.* at *1207; see also *In re Constr. Equip. Co.*, 655 F.3d at 1262 (Newman, J., dissenting).

7. *Constr. Equip. Co.*, 45 U.S.P.Q.2d at *1207, *1211.

decision was upheld by the Federal Circuit Court of Appeals, and the Supreme Court denied certiorari.⁸ Thus, one would presume, as is normally the case, that the issue had been finally decided in an Article III court of last resort,⁹ and CEC had a valid monopoly right granted by the patent.¹⁰

However, the challenges to CEC's U.S. Patent 5,234,564 ('564 patent) resumed via a new request for ex parte reexamination in January 2007.¹¹ Powerscreen, the same defendant in the prior litigation, returned with new prior art that it had not presented, and the PTO had not considered, during the original litigation in 1997.¹² This time around, the PTO examiner rejected most of the claims in the patent based on a finding of obviousness,¹³ and the Board of Patent Appeals and Interferences (BPAI) largely upheld the examiner's decision twice, in both a hearing and rehearing.¹⁴ CEC, having run out of administrative options, next appealed to the Federal Circuit Court of Appeals hoping to regain its claims in a patent that was found valid nearly a decade earlier.¹⁵

In a 2–1 decision, the Federal Circuit upheld the BPAI's affirmance of the examiner's findings and rejected CEC's claims.¹⁶ The majority issued a brief opinion that ignored constitutional issues not raised by the

8. *Constr. Equip. Co. v. Powerscreen of Am., Inc.*, 243 F.3d 559 (Fed. Cir. 2000); *Powerscreen of Am., Inc. v. Constr. Equip. Co.*, 531 U.S. 1148 (2001).

9. After losing in or being refused *certiorari* by the U.S. Supreme Court, typically that is the end of a litigant's road in the United States as the decision is binding on all lower courts.

10. *See In re Constr. Equip. Co.*, 655 F.3d at 1258 (Newman, J., dissenting) ("The plan of the Constitution places the judicial power in the courts, whose judgments are not thereafter subject to revision or rejection. Neither the legislative nor the executive branch has the authority to revise judicial determinations.").

11. *See id.* at 1255 (majority opinion).

12. *See id.* at 1260 (Newman, J., dissenting).

13. 35 U.S.C. § 103 (2012) governs obviousness and states:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art

14. *See Ex Parte Constr. Equip. Co.*, No. 2009-005265, 2009 WL 2807871, at *19–20 (B.P.A.I. Aug. 31, 2009). The BPAI ultimately upheld rejections of claims 1, 2, 5–10, 13, 14, 19, and 20; however, on rejecting claims 5 and 6 the BPAI disagreed with one of the combinations of prior art used by the examiner. *See id.* at *13–15. Claims 5 and 6, then, were rejected on other obviousness grounds. *See id.* at *20; *see also Ex Parte Constr. Equip. Co.*, No. 2009-005265, 2010 WL 2157846, at *1 (B.P.A.I. May 28, 2010). On May 28, 2010 the BPAI, with a panel composed of the *exact same* Administrative Patent Judges as the original panel, rejected CEC's Request for Rehearing and again upheld the examiner's rejection of the claims. *See id.* at *1.

15. *See In re Constr. Equip. Co.*, 665 F.3d at 1254.

16. *Id.*

parties and relied on an earlier case, *In re Swanson*¹⁷, to explain why a question that had been adjudicated years before by the Federal Circuit could be revisited by an executive agency, such as the USPTO.¹⁸ Judge Newman issued a scathing dissent criticizing the majority's opinion for ignoring the importance the Constitution places on the final decisions of Article III judges and for allowing the relitigation of an issue already decided by the court.¹⁹

Part II of this Note first addresses how the winding trail of litigation and administrative appeals led to the divided Federal Circuit. Afterward, issues raised by the dissent, and largely ignored by the majority, will be explored in more detail to evaluate the merit of constitutional and issue preclusion arguments in patent cases. Part III discusses possible solutions to resolve the tension between the USPTO, district courts, and the Federal Circuit in patent reexamination patent proceedings. The Note concludes that Congress should better define what "issue" is being evaluated in reexaminations and must amend 35 U.S.C. § 302 to better guide judges in procedurally complex patent reexamination proceedings.

II. BACKGROUND

The events that led to the recent split decision of the Federal Circuit began as far back as 1997 when Construction Equipment Company (CEC) sued Powerscreen International, PLC and its American subsidiaries for infringing its patent on a mobile gravel screening device.²⁰ The device was known as the "Screen-It," and its popularity put at stake a substantial amount of money at trial.²¹ To maintain its patent, CEC would need to show the invention fit into the allowed statutory subject matter, while being novel and nonobvious.²² Part A below discusses the early litigation between Powerscreen and CEC that took place primarily in the late 1990s, and Part B discusses the more recent dispute between the companies in the USPTO and the Federal Circuit that ultimately stripped CEC of its patent rights.

17. 540 F.3d 1368 (Fed. Cir. 2008).

18. See *In re Constr. Equip. Co.*, 665 F.3d at 1256 n.3.

19. See *id.* at 1257–63 (Newman, J., dissenting).

20. See *Constr. Equip. Co. v. Powerscreen Int'l Distrib. Ltd.*, 45 U.S.P.Q.2d 1206, 1207 (D. Or. Oct. 20, 1997).

21. See *id.* CEC had recently been assigned the patent to the "Screen-It," and in 1996 sales of the device earned over \$5 million. See *id.*

22. See 35 U.S.C. §§ 101–103 (2012). Sections 101, 102, and 103 describe the requirements for statutory subject matter, novelty, and nonobviousness when obtaining a patent.

A. The Original Injunction Against Powerscreen

CEC first sued Powerscreen in the District Court of Oregon in early 1997, and Powerscreen, as defendant, challenged the validity of CEC's patent using the on-sale and public use bars of 35 U.S.C. § 102.²³ The court began its analysis by stating, "Patents are presumed valid, and the burden of establishing invalidity rests with its proponent."²⁴ Throughout the opinion, the court did not find the defendant's arguments persuasive, and the validity of CEC's patent was upheld along with injunction against Powerscreen.²⁵ Further hearings on the patent's validity were held in which Powerscreen attempted to prove that the patent should be found obvious and therefore invalid; however, CEC ultimately prevailed as the district court found that the Screen-It was not an "obvious combination" of prior arts.²⁶

This all happened prior to *KSR International Co. v. Teleflex Inc.*,²⁷ when a high bar existed in the Federal Circuit to prove an invention was obvious. Not only did Powerscreen have to show that all of the elements of the Screen-It existed in prior art, but that there would be some teaching, suggestion, or motivation for a person of ordinary skill in the art to combine the prior arts.²⁸ Powerscreen appealed the decision of the district court upholding the validity of the patent and the injunction to the Federal Circuit, which affirmed without decision.²⁹ The Supreme Court denied certiorari, and it appeared that Powerscreen had exhausted its course of legal options, having lost on the merits, but the story was only beginning.³⁰

23. See *Constr. Equip. Co.*, 45 U.S.P.Q.2d at 1207. 35 U.S.C. § 102(a) and (b) prevent a valid patent from issuing when:

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . .

35 U.S.C. § 102 (2012).

24. See *Constr. Equip. Co.*, 45 U.S.P.Q.2d at 1207-08 (citing 35 U.S.C. § 282 (2012); D.L. Auld Co. v. Chroma Graphics Corp., 714 F.2d 1144, 1147 n.2 (Fed. Cir. 1983)).

25. See *id.* at 1208-11. The court conducted a highly factual analysis of the development of the Screen-It to discover whether its patent was barred because it was in public use or on sale greater than one year before filing of the patent. See *id.* The court found, however, Powerscreen did not establish either bar by "clear and convincing evidence" and thus the patent needed to be enforced. See *id.* at 1211.

26. See *In re Constr. Equip. Co.*, 665 F.3d 1254, 1260 (Fed. Cir. 2011) (citing *Constr. Equip. Co. v. Powerscreen Int'l Distrib. Ltd.*, Civ., No. 96-1574-AS, slip op. at 17-19 (D. Or. June 11, 1998)).

27. 550 U.S. 398 (2007).

28. See *id.*

29. See *Constr. Equip. Co. v. Powerscreen of Am., Inc.*, 243 F.3d 559 (Fed. Cir. 2000).

30. See *Powerscreen of Am., Inc. v. Constr. Equip. Co.*, 531 U.S. 1148 (2001).

B. The “Issue” in Reexamination Proceedings and In re Swanson

After a nearly ten-year respite, the ‘564 patent was brought into controversy once again when Powerscreen requested a new ex parte reexamination in January 2007.³¹ Having previously been found an infringer and enjoined, Powerscreen returned with new evidence of prior art that it argued would render the ‘564 patent on the Screen-It obvious when combined with its previous prior art from the original litigation.³² The patent examiner, using the new prior art references and prior art references from the 1997 litigation, invalidated claims 1, 2, 5–10, 13, 14, 19, and 20, effectively eliminating the usefulness of CEC’s patent on the Screen-It device.³³ The BPAI reviewed CEC’s appeal of the decision and conducted a factually specific review of the examiner’s findings based on the prior art.³⁴ The board relied heavily on Supreme Court obviousness jurisprudence from *KSR International Co. v. Teleflex Inc.*³⁵ and *Graham v. John Deere Co.*³⁶ to uphold the patent examiner’s finding that the claimed invention was obvious and the claims therefore invalid.³⁷

After the BPAI’s finding, CEC requested a rehearing by the board—this was conducted by the same judicial panel as the original appeal.³⁸ The BPAI briefly reviewed some of *its own* rejections of the issues on appeal, but concluded that none of its decisions were made in error.³⁹ CEC continued to search for validation of its patent after this rejection on rehearing, and proceeded to the Federal Circuit Court for another

31. See *In re Constr. Equip. Co.*, 665 F.3d at 1254.

32. See *id.* at 1269 (Newman, J., dissenting). The art that the dissent cites from the 1997 hearings include “Royer Trommel” and “Eriksson.” See *id.* at 1260. In the new 2007 reexamination hearing, seven pieces of prior art were relied upon by Powerscreen including “Cheyette,” “Eriksson,” “Douglas,” “Mockeln SvH-5 Brochure,” “Mockeln SvH-3 Brochure,” “RSTI Brochure,” and “Royer.” See *Ex Parte Constr. Equip. Co.*, No. 2009-005265, 2009 WL 2807871, at *3 (B.P.A.I. Aug. 31, 2009).

33. See *Ex Parte Constr. Equip. Co.*, 2009 WL 2807871, at *1. Without valid claims over the Screen-It, other companies such as Powerscreen would be free to manufacture the same device and sell it under a different name without infringing.

34. See *id.* at *8–19.

35. See 550 U.S. 398, 399 (2007) (holding no rigid or narrow tests such as the “teaching, suggestion, motivation test” should be used to determine obviousness, while acknowledging that it can be helpful in such cases for a court to identify a reason that would have motivated a knowledgeable person to combine the components).

36. 383 U.S. 1 (1966) (Section 103 of the 1952 Patent Act added the statutory nonobvious subject matter requirement, the determination of which is made after establishing the scope and content of prior art, the differences between the prior art and the claims at issue, and the level of ordinary skill in the pertinent art).

37. See *Ex Parte Constr. Equip. Co.*, 2009 WL 2807871, at *19–20.

38. See *Ex Parte Constr. Equip. Co.*, No. 2009-005265, 2010 WL 2157846, at *1 (B.P.A.I. May 28, 2010). Administrative Patent Judges Linda E. Horner, Scott R. Boalick, and Daniel S. Song heard both the original appeal to the examiner’s decision and the rehearing. See *id.*

39. See *id.* at *4.

opportunity at overturning the patent examiner's finding of obviousness.⁴⁰

In the Federal Circuit, CEC once again lost its argument, and the majority, in a brief opinion, upheld the original decision of the patent examiner.⁴¹ The majority agreed with the BPAI that the combined new and old references offered by Powerscreen read on every limitation of the claims in the patent, that one of ordinary skill in the art could combine the references to make and use the Screen-It, and that there would be a reason for a person of ordinary skill in the art to do so.⁴² The court dismissed CEC's contentions and noted "the basic concepts of sifting and sorting material are not new. Neither are the concepts of carrying material via conveyors, or of positioning the sorting machine on a trailer, as the '564 patent does."⁴³ Notably, the majority did not address secondary factors that weigh toward a finding of nonobviousness, such as commercial success, long-felt but unsolved needs, and failure of others.⁴⁴

Additionally, the majority responded to Judge Newman's lengthy dissent via a footnote and did not address many of the complex issues raised.⁴⁵ First, the court would not address issues that the suit at bar should have been invalid on constitutional grounds or grounds of issue preclusion because these issues were not raised nor argued by either party.⁴⁶ The court stated, "appellate courts . . . have a well-established practice of declining to take up arguments not timely made by the parties."⁴⁷ Further, the court touched on the idea of issue preclusion and relied on *In re Swanson*⁴⁸ to discount the dissent's argument.⁴⁹ The majority insinuated here via *In re Swanson* that just because Powerscreen had failed in the earlier 1997 litigation to invalidate CEC's patent, this did not mean that CEC's patent was valid per se.⁵⁰ Instead, Powerscreen had merely failed to carry its burden in that litigation to

40. See *In re Constr. Equip. Co.*, 665 F.3d 1254 (Fed. Cir. 2011).

41. *Id.* at 1254.

42. See *id.*

43. *Id.* at 1256.

44. See *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966); see also, e.g., *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538–39 (Fed. Cir. 1983) ("Indeed, evidence of secondary considerations may often be the most probative and cogent evidence in the record It is to be considered as part of all the evidence, not just when the decisionmaker remains in doubt after reviewing the art.").

45. See *In re Constr. Equip. Co.*, 665 F.3d at 1256 n.3.

46. See *id.*

47. See *id.* (citing *Singleton v. Wulff*, 428 U.S. 106, 121 (1976); *Boggs v. West*, 188 F.3d 1335, 1337 (Fed. Cir. 1999)).

48. 540 F.3d 1368 (Fed. Cir. 2008).

49. See *In re Constr. Equip. Co.*, 665 F.3d at 1256 n.3.

50. See *id.*

prove the patent invalid by clear and convincing evidence, and thus, when the patent examiner declared the patent invalid, it did not contradict the earlier ruling of the Federal Circuit.⁵¹ The majority did not address specifically whether obviousness was the issue that was litigated before, or if it could be litigated again, nor whether the new prior art references raised by Powerscreen were new issues or whether they were new evidence that should have been raised in the prior litigation.⁵²

Finally, the majority refused to accept what it saw as a “dramatic expansion of the concept of non-mutual offensive collateral estoppel.”⁵³ The majority believed the dissent to be implying that if a patent was found to be *not invalid* in one proceeding against a party, then other parties should also be precluded from bringing invalidity challenges, and this was too broad a holding for the majority to stomach.⁵⁴

Judge Newman’s lengthy dissent provided a much different perspective on the case at bar than the majority’s short approval of the administrative agency’s findings.⁵⁵

C. The Dissent and the Specter of Constitutional Issues in Patent Law

The dissent’s opinion began by questioning whether a final decision in an Article III court has any value at commerce or in law “[or whether it is] an inconsequential detour along the administrative path to a contrary result?”⁵⁶ Judge Newman’s concern arose from the fact that the USPTO, an administrative agency under the executive branch of government, came to a contrary decision on the validity of CEC’s patent nearly ten years after litigation in which Powerscreen had lost its challenge against CEC in an Article III court.⁵⁷

The first point made by the dissent was that, based on Article III, Section 1 of the U.S. Constitution, the current litigation should never have been allowed.⁵⁸ Article III, the dissent argued, places the judicial power in the courts of the United States, here the Federal Circuit.⁵⁹ Additionally, the decision of those courts is not subject to review by the

51. *See id.*

52. *See id.*

53. *Id.*

54. *Id.*

55. *See id.* at 1257–63 (Newman, J., dissenting).

56. *Id.* at 1257.

57. *See id.*

58. *See id.* at 1257–58. Article III, § 1 of the U.S. Constitution states, “The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.” U.S. CONST. art. III, § 1.

59. *In re Constr. Equip. Co.*, 665 F.3d at 1258 (Newman, J., dissenting).

executive branch, such as the USPTO—an administrative agency under that branch.⁶⁰ The dissent also rebutted the majority’s stance that such arguments should not be heard because the parties did not raise them in the lower tribunals.⁶¹ In Judge Newman’s opinion, issues of such importance cannot be waived by the parties and must be raised by justices *sua sponte*.⁶² The dissent found that “the nation’s fundamental law is not waivable. The Court has reiterated that ‘[w]hen these Article III limitations are at issue, notions of consent and waiver cannot be dispositive because the limitations serve institutional interests that the parties cannot be expected to protect.’”⁶³ Ultimately, because in the case there was a “final disposition of the issue of [patent] validity in Article III courts,” the dissent believed it was crucial to uphold the judgment and “safeguard[] the role of the Judicial Branch . . . by barring congressional attempts to transfer jurisdiction [to non-Article III tribunals] for the purpose of emasculating constitutional courts”⁶⁴

The next issue the dissent addressed was issue preclusion.⁶⁵ Again, Judge Newman found that it was inconsequential that such issues were not raised by the parties because “preclusion principles serve the powerful public and private interests of finality in judicial proceedings and the avoidance of inconsistent results.”⁶⁶ Because Powerscreen had its day in court to litigate the issue of obviousness when it was sued by CEC in 1997, it was nonsensical for Powerscreen to relitigate the same issue years later against the same party.⁶⁷ The dissent found the majority’s reliance on *In re Swanson* misplaced because that case focused on varying burdens of proof in the courts and the administrative agencies, which was a run-around for allowing administrative agencies to override judicial rulings.⁶⁸ Further, Judge Newman did not agree that the collateral estoppel would be “non-mutual,” because while Powerscreen was the defendant in the 1997 litigation, and the party requesting reexamination against CEC in the current litigation, Powerscreen was still raising the same obviousness issue against the same party, CEC.⁶⁹ Finally, Judge Newman pointed out that uncertainty in the patent system, a large impetus for the recent America Invents

60. *See id.*

61. *Id.*

62. *See id.* at 1257.

63. *Id.* (quoting *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 851 (1986)).

64. *Id.* at 1258 (internal quotes omitted).

65. *Id.* at 1258–61.

66. *Id.* at 1259 (citing *Clements v. Airport Auth. of Washoe Cnty.*, 69 F.3d 321, 330 (9th Cir. 1995)).

67. *See id.* at 1258–61.

68. *Id.* at 1261.

69. *Id.*

Act,⁷⁰ would cause problems in terms of commercial investment, property rights, and the patent incentive.⁷¹

The dissent concluded by discussing the reexamination statute itself and the merits of the obviousness finding.⁷² The judge noted that the whole purpose behind reexamination is to help parties avoid litigation, reduce litigation costs, and allow a second look at patents that may have been granted too broadly or in error.⁷³ The dissenting judge found that after an Article III court makes a final decision regarding a patent, interested persons should be able to rely on the decision and not believe that further reexamination proceedings could override a final judicial decision.⁷⁴ Judge Newman also disagreed with the majority in terms of the merits of the obviousness analysis and accused them of engaging in judicial hindsight analysis, which is prohibited when analyzing a patent for obviousness.⁷⁵ The dissent acknowledged that the majority had found the individual claim elements of the Screen-It in separate prior art references, but engaged in hindsight because it did not provide a “rational underpinning” to show why a person of ordinary skill in the art would combine the references in such a way.⁷⁶ Further, the dissent noted the commercial success of the Screen-It, a secondary factor that can be used to find nonobviousness, and explained how the majority ignored this point.⁷⁷

The trail of litigation that led to the most recent CEC case in the Federal Circuit consumed the time, energy, and resources of Powerscreen, CEC, the USPTO, attorneys, and judges for over fourteen years. Continuous patent litigation shows a need for change, especially

70. *Id.*; COMM. ON THE JUDICIARY, *Background on H.R. 1249, the America Invents Act*, in AMERICA INVENTS ACT OF 2011, available at http://judiciary.house.gov/issues/issues_patentreformact2011.html (“We cannot expect America’s innovators and job creators to keep pace with the global marketplace with the patent system of the past. We need a system that ensures patent *certainty*, approves good patents quickly and weeds out bad patents effectively.”) (emphasis added).

71. *See In re Constr. Equip. Co.*, 665 F.3d at 1261 (Newman, J., dissenting).

72. *Id.* at 1262–63.

73. *See id.* at 1262 (citing *Patent Reexamination: Hearing on S. 1679 Before the Senate Comm. on the Judiciary*, 96th Cong. 15–16 (1979) (statement of Comm’r Sidney Diamond) (“Reexamination would eliminate or simplify a significant amount of patent litigation. In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided.”)); 126 CONG. REC. 30364 (1980) (statement of Sen. Bayh) (“Reexamination would allow patent holders and challengers to avoid the present costs and delays of patent litigation . . . Patent reexamination will also reduce the burden on our overworked courts by drawing on the expertise of the Patent and Trademark Office.”).

74. *See id.*

75. *Id.* at 1262–63.

76. *See id.* Even after *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), a reason or rational underpinning must exist for a person of ordinary skill in the art to combine references and find an invention obvious.

77. *In re Constr. Equip. Co.*, 665 F.3d at 1263 (Newman, J., dissenting).

since a patent only lasts twenty years from its date of filing. The following discussion addresses the issues raised by Judge Newman and possible ways to avoid such a protracted and indecisive series of ex parte appeals.

III. DISCUSSION

The issues raised by the dissent in *In re Construction Equipment Co.* present important questions concerning judicial deference to the patent office and the role of the Constitution in patent law. While the majority's opinion is brief, it relies on *In re Swanson*, which provides a detailed view into the Federal Circuit's current jurisprudence on reexamination and the court's parallel role with the USPTO. The dissent questioned many of the premises on which *In re Swanson* relied, as well as why the majority seemed to ignore issues that affect all other courts in relation to the constitutional structure. This Part analyzes the complex legal analysis of both sides and, perhaps more importantly, the effects that such views and legal wrangling have on the rights of the parties involved, especially the patent holders. At the end of the day, the intricate legal arguments affect the abilities of companies to operate and profit in the economy, and with seemingly logical arguments on both sides of the debate, the rights of patent holders should take center stage.

A. How should the Constitution fit Into Patent Law Reexamination?

The majority's brief opinion in *In re Construction Equipment Co.* largely dismissed the dissent's constitutional concerns in a footnote, which explained that because neither of the parties in the litigation below had raised, briefed, nor argued constitutional concerns, the court would not address them.⁷⁸ This result is not surprising in light of *In re Swanson*, decided only three years earlier on a similar issue, where the Federal Circuit stated that a vague statute "should be interpreted to avoid raising 'grave and doubtful constitutional questions . . .'"⁷⁹ Constitutional issues concerning grave and doubtful questions, however, may be the most important issues to raise because they may threaten the most substantive rights.⁸⁰

The dissent in *In re Construction Equipment Co.* did not hesitate to raise the constitutional issues because "[w]hen these Article III

78. See *id.* at 1256 n.3 (majority opinion).

79. See *In re Swanson*, 540 F.3d 1368, 1379 (Fed. Cir. 2008) (citing *Gonzalez v. United States*, 553 U.S. 242, 251 (2008)).

80. The practical result of the *In re Construction Equipment Co.* litigation is that CEC lost its patent claims and therefore its legal monopoly for selling the Screen-It and profiting from it.

limitations are at issue, notions of consent and waiver cannot be dispositive because the limitations serve institutional interests that the parties cannot be expected to protect.”⁸¹ Essentially, the dissent emphasized that CEC had litigated what it likely viewed as the same issue roughly ten years earlier and likely assumed that it need not raise constitutional issues on appeal in order to re-defend its right to a patent, which the Federal Circuit had originally affirmed.⁸² The dissent noted at length the importance of separation of powers and the idea that Congress could not have intended, even by expanding the reexamination statute in 2002, to weaken the decisions of Article III judges.⁸³ Justice Newman stated bluntly, “The plan of the Constitution places the judicial power in the courts, whose judgments are not thereafter subject to revision or rejection. Neither the legislative nor the executive branch has the authority to revise judicial determinations.”⁸⁴

The dissent’s apt legal argument can be easily translated into practical wisdom starting with the idea that “[r]espect for judicial finality, when there has been a final decision, does not ‘upset . . . the entire reexamination proceeding.’”⁸⁵ Primarily this is so because Powerscreen and the USPTO had their chance at reexamination years earlier on the issue of obviousness. Neither Powerscreen nor the USPTO were deprived of their rights. However, from the perspective of CEC, having defeated its opponent Powerscreen in court years earlier, the company likely believed it had a right to profit from the Screen-It. One can imagine a scenario in which a company invests in manufacturing or factories solely because it has the limited right to sell a profitable product. Here, though, when rights have been adjudicated by judicial and executive agencies in parallel, it becomes difficult for companies to understand what rights they can exercise. The dissent noted, “The issue here arises because the judicial function has already been performed, and warrants the finality of the Judicial Power.”⁸⁶ This “finality” is what is intended in the constitutional scheme to allow citizens and companies to operate knowing their rights.⁸⁷

81. See *In re Constr. Equip. Co.*, 665 F.3d at 1257 (Newman, J., dissenting) (quoting *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 851 (1986)).

82. See *Constr. Equip. Co. v. Powerscreen of Am., Inc.*, 243 F.3d 559 (Fed. Cir. 2000).

83. See *In re Constr. Equip. Co.*, 665 F.3d at 1257–58 (Newman, J., dissenting). The expansion of the reexamination statute is discussed further *infra* at Part III(B).

84. *Id.* at 1258.

85. *Id.* (quoting the majority opinion at 1256 n.3).

86. *Id.*

87. See *Freeman United Coal Mining Co. v. Office of Workers’ Comp. Program*, 20 F.3d 289, 294 (7th Cir. 1994) (citing *Wright, Miller & Cooper*) (“The law of collateral estoppel is intended to protect the parties from the burden of relitigating the same issue following a final judgment and to promote judicial economy by preventing needless litigation.”); see also *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1323–24 (Fed. Cir. 1987) (citing 18 CHARLES ALAN WRIGHT

The Federal Circuit in *In re Swanson* earlier addressed the issue raised by the dissent in *In re Construction Equipment Co.*, where the patent holder, Surmodics, argued that “allowing an executive agency to find patent claims invalid after an Article III court has upheld their validity violates the constitutionally mandated separation of powers, and therefore must be avoided.”⁸⁸ The *Swanson* court’s opinion explained that when an Article III court rules that a patent is valid against an infringer, it is in actuality ruling *only* that the alleged infringer failed to prove that the patent was invalid.⁸⁹ Thus, the court found that even if the patent office later finds the patent to be invalid, such a finding “does not disturb [the Federal Circuit’s] earlier holding.”⁹⁰

While this reasoning addressed the technical legal issue of the USPTO⁹¹ disturbing an Article III court’s ruling, it does nothing to help the rights of the litigants in the case.⁹² Patent rights are intended to grant commercial investment and property rights.⁹³ Imagine a homeowner that goes to court to defend a title in ownership against another who claims to also hold title to the house, such that the homeowner’s right to use may not be exclusive. In the real property context, it would be absurd to believe that the court would not finally adjudicate the issue one way or the other, and at the end of the day one party or the other would have legitimate title and exclusive ownership of the house. In a typical property case, the party questioning the title of the owner, if it failed to prove the title invalid in court, could not return years later and try again. Further, if the party questioning title lost, the court’s ruling in favor of the title-holder would guarantee that holder the exclusive right to use of the house. However, what the majority opinion in *In re Construction Equipment Co.* ruled was essentially that just because CEC won at trial as against Powerscreen, it did not vindicate its own property rights. Similarly, it would be like the homeowner who won in a title action against a challenger to the home’s title, but after

ET AL., FEDERAL PRACTICE AND PROCEDURE § 4402 (2d ed. 1981)) (describing that the doctrine of issue preclusion bars relitigation of issues previously decided “on principles of finality and repose”); *see also* *United States v. Nez Perce Cnty.*, 553 F. Supp. 187, 189–90 (D. Idaho Dec. 7, 1982) (1918 decree establishing title to land and enjoining all future tax assessments was held binding against a county that attempted to defy the decree some sixty years later).

88. *See In re Swanson*, 540 F.3d 1368, 1378 (Fed. Cir. 2008).

89. *See id.* at 1379.

90. *Id.*

91. Again, the USPTO is an executive agency under the executive branch of government.

92. *See In re Constr. Equip. Co.*, 665 F.3d at 1258 (Newman, J., dissenting) (quoting *Chi. & S. Airlines, Inc. v. Waterman S.S. Corp.*, 333 U.S. 103, 114 (1948) (“Judgments, within the powers vested in courts by the Judiciary Article of the Constitution, may not lawfully be revised, overturned or refused faith and credit by another Department of Government.”)).

93. *Id.* at 1261.

prevailing did not actually own the home.⁹⁴ The title to the house would offer no protection, as its validity could be challenged time and again years down the road.

The dissent noted the detrimental effect such a lack of finality can have on patent holders, and the legal maneuverings of the majority, also present in *In re Swanson*, do little to reinforce industry's trust of the patent system. The founders intended by granting a limited monopoly (currently twenty years)⁹⁵ to patent holders, that the patent holders in exchange would grant their knowledge surrounding the invention to the public through the patent instrument. Typically, trade secrets are viewed as offering weaker protections against others than a patent; however, the decision in *In re Construction Equipment Co.* should make industry and inventors reconsider that proposition.⁹⁶ Inventions such as the Screen-It will place CEC and other companies in a difficult position. If patent protection is not available or sufficient, trade secrets are unlikely to protect such a product due to the ease of reverse engineering a machine. However, other companies with inventions that are not so easily reverse engineered will turn to trade secrets, and the public domain will be worse off for the lack of disclosure and knowledge.

The lofty constitutional arguments on both sides of the debate were strong. The majority relied largely on *In re Swanson* where the court argued:

[A] challenger who attacks the validity of patent claims must overcome the presumption of validity with clear and convincing evidence that the patent is invalid . . . courts do not find patents valid, only that the patent challenger did not carry the burden of establishing invalidity in the particular case before the court.⁹⁷

Thus, the majority essentially determined that a patent cannot be found per se valid by a court. However, as the dissent in *In re Construction Equipment Co.* noted, Article III of the Constitution was meant to protect against an accumulation of power in one branch of government

94. See generally Adam Mossoff, *Patents as Property: Conceptualizing the Exclusive Right(s) in Patent Law* (Working Paper No. 08-49, 2008), available at <http://www.law.gmu.edu/pubs/papers/08-49>.

95. 35 U.S.C. § 154(a)(2) (2012).

96. *Kewanee Oil Co. v. Bicron Corp.* 416 U.S. 470, 489–90 (1974) (“Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g., independent creation or reverse engineering, patent law operates ‘against the world,’ forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof. Where patent law acts as a barrier, trade secret law functions relatively as a sieve. The possibility that an inventor who believes his invention meets the standards of patentability will sit back, rely on trade secret law, and after one year of use forfeit any right to patent protection, 35 U.S.C. § 102(b), is remote indeed.”) (citations omitted).

97. See *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (internal quotes omitted).

that could override the judicial branch and question the final adjudications of parties' rights in the courts.⁹⁸ Regardless which side is more correct or persuasive, it should be remembered that real people and real companies are affected by these decisions. The dissent noted the novelty and usefulness of the Screen-It brought "commercial value . . . imitators, and litigation."⁹⁹

Judicial finality weighs in favor of the parties' interests and should have decided the question here. Notably, judicial finality would not have weighed against either party in *In re Construction Equipment Co.* For instance, while the finality would have weighed in favor of CEC by upholding its patent for twenty years, in the future when CEC develops new technologies that it decides to keep as trade secrets, Powerscreen may not be able to access them or reverse engineer the new technology easily. The lack of knowledge will make the whole market for technology worse off.¹⁰⁰ Further, if companies interpret trade secrets as providing less protection while patents lead to endless litigation, development in new technology may slow overall. However, the issue may not need to be resolved on lofty constitutional issues, because the court wrangled with procedural difficulties as well.

B. Can Res Judicata and Issue Preclusion Resolve the "Issue"?

Beyond the constitutional issues raised by the dissent in *In re Construction Equipment Co.* were fundamental issues of claim and issue preclusion.¹⁰¹ Once again, the brief majority opinion acknowledged these arguments only in a footnote, discounting them wholly and referring once again to *In re Swanson*. The dissent confronted the arguments from *In re Swanson* and further raised other issues that throw into question the purpose and goals of the reexamination statute.¹⁰² The dissent found that if the constitutional arguments were not enough to stop the USPTO from overturning an Article III court's judgment regarding CEC's valid patent, res judicata and issue preclusion should prevent reopening a closed issue.¹⁰³

98. See *In re Constr. Equip. Co.*, 665 F.3d 1254, 1257 (Fed. Cir. 2011) (Newman, J., dissenting).

99. *Id.* at 1263 n.2.

100. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989) ("[T]he ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure.").

101. See *In re Constr. Equip. Co.*, 665 F.3d at 1258–59 (Newman, J., dissenting).

102. See 35 U.S.C. §§ 302–04 (2012).

103. Once again, the dissent ignored the majority's concern that res judicata and issue preclusion were not raised by the parties in lower courts because it is too important to ignore. See *In re Constr. Equip. Co.*, 665 F.3d at 1259 (Newman, J., dissenting) ("Waiver is inapplicable against issues of res judicata and issue preclusion, for preclusion principles serve the powerful public and private interests of

In Justice Newman's opinion, Powerscreen had no legitimate right to relitigate an issue which it had litigated years before—obviousness—and lost.¹⁰⁴ In the original litigation in the District Court of Oregon, Powerscreen had attacked the validity of CEC's patent on grounds of obviousness, and after arguing its case with its scientific references, it did not convince the court that the invention would have been obvious at the time of invention to one of ordinary skill in the art.¹⁰⁵ Powerscreen returned seven years later and requested *ex parte* reexamination of CEC's patent based on grounds of obviousness with scientific references it had used in the original litigation in district court and new, additional references.¹⁰⁶ The dissent's concern was well-founded, because beyond the constitutional concern of the USPTO arguably overriding a decision of an Article III court, discussed *supra*, the USPTO allowed Powerscreen, a party that should be bound by its earlier loss, to essentially have another shot at unseating CEC's rights.¹⁰⁷

The dissent noted briefly that “finality is particularly compelling in the context of commercial investment and property rights,” but this is an understatement. CEC went through the cost and difficulty involved in obtaining a patent, but it also fought diligently against Powerscreen in civil litigation to defend the validity of its patent. At the end of that long road, CEC had won and likely desired to profit not only from the invention but its work defending it. From a company's point of view, having won in court after having a patent challenged on obviousness, business decisions would certainly be made surrounding such a decision. An owner might think to increase production, or even increase production capabilities, since the company has been granted a legal monopoly on a market for twenty years from the filing date of the

finality in judicial proceedings and the avoidance of inconsistent results.”) (citing *Clements v. Airport Auth. of Washoe Cnty.*, 69 F.3d 321, 330 (9th Cir. 1995)).

104. *Id.* The dissent quoted *San Remo Hotel, L.P. v. City & Cnty. of S.F.*, 545 U.S. 323, 336 n.16 (2005) (“Under *res judicata*, a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action. Under collateral estoppel, once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude relitigation of the issue in a suit on a different cause of action involving a party to the first case.”).

105. See *In re Constr. Equip. Co.*, 665 F.3d at 1258–59 (Newman, J., dissenting).

106. See *id.*

107. See *id.* at 1260. The dissent noted, “[t]he underlying rationale of the doctrine of issue preclusion is that a party who has litigated an issue and lost should be bound by that decision and cannot demand that the issue be decided over again.” (citing *In re Freeman*, 30 F.3d 1459, 1465 (Fed. Cir. 1994)). There are three elements of issue preclusion that are commonly quoted: (1) there must have been a prior litigation in which the identical issue was brought before the court; (2) the issue must have been actually litigated in the first judicial proceeding, and the party against whom collateral estoppel is being asserted must have had a full and fair opportunity to litigate the issue in the first judicial proceeding; and (3) the issue must necessarily have been decided and rendered as a necessary part of the court's final judgment. See generally *Montana v. United States*, 440 U.S. 147 (1979) (discussing issue preclusion)).

patent.

However, after *In re Construction Equipment Co.*, this can no longer be the case. Not only does a company now need to worry about challenges from other companies and alleged infringers to patent validity (as companies needed to prior to *In re Construction Equipment Co.*); companies must be concerned about repeated challenges in the USPTO by past adversarial litigants. As discussed *supra*, if a patent brings about this much-prolonged litigation for a company, companies may be less likely to invest in new technologies, and companies will certainly be less likely to use the patent incentive. Facially, a business manager would find that keeping a new technology a secret would be easier, less costly, and less risky than disclosing the technology via a patent and fighting repeated battles in the courts for years to come, possibly against the same litigants.

As noted, the majority opinion relied almost wholly on *In re Swanson* to address the concerns raised by the dissent.¹⁰⁸ *Swanson* provided a detailed analysis of the reexamination statute, the recent amendment to § 303(a), and the purpose behind the procedure. Generally, *In re Swanson* explained that reexaminations are supposed to check the quality of patents and ensure that they were not issued in error by government agents.¹⁰⁹ The dissent from *In re Construction Equipment Co.* additionally stated that the purpose of reexamination is “to provide a *less costly* way of removing or restricting patents that should not have been granted or that were granted too broadly”¹¹⁰ The *Swanson*

108. In addition to referring to *In re Swanson*, the majority commented puzzlingly in a footnote that “the dissent’s suggestion that a finding that a patent is not invalid in one proceeding against one party would bar any other validity challenge would be a dramatic expansion of the concept of non-mutual offensive collateral estoppel.” See *In re Constr. Equip. Co.*, 665 F.3d at 1256 n.3 (majority opinion). The dissent, however, rebutted, “The question here is not of non-mutuality, for this reexamination was initiated by . . . the same party that was defendant in the district court and Federal Circuit. The question is whether the administrative agency is bound by prior final adjudication of the same issue—a question that has been definitively answered by the Supreme Court.” *Id.* at 1261 (Newman, J., dissenting). The majority’s opinion is questionable because non-mutuality is typically viewed as issue preclusion between different parties, but CEC and Powerscreen were the parties in the original civil litigation. And, while Powerscreen was not technically a “party” to the *ex parte* reexamination, Powerscreen did initiate the proceeding. The dissent also did not suggest other parties could not raise a reexamination.

109. See *In re Swanson*, 540 F.3d 1368, 1375 (Fed. Cir. 2008) (“Congress intended reexaminations to provide an important ‘quality check’ on patents that would allow the government to remove defective and erroneously granted patents.”) (citing H.R. Rep. No. 107-120 (2002)).

110. See *In re Constr. Equip. Co.*, 665 F.3d at 1261 (Newman, J., dissenting) (emphasis added). The dissent cited *Patent Reexamination: Hearing on S. 1679 Before the Senate Comm. on the Judiciary*, 96th Cong. 15–16 (1979) (statement of Comm’r Sidney Diamond) (“Reexamination would eliminate or simplify a significant amount of patent litigation. In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided.”).

court further analyzed the 2002 amendment to § 303(a)¹¹¹ and its relation to an earlier Federal Circuit case, *In re Portola Packaging Inc.*, which narrowed reexamination.¹¹²

Congress rebuffed *Portola Packaging* and added a new sentence to § 303(a) intended to broaden what the PTO could consider in reexamination.¹¹³ The *Swanson* court explained that this amendment was intended to broaden the documents that the USPTO could use during reexaminations, and simply because a document had been cited in a prior reexamination, this did not mean that it could not be used if there was a “substantial new question of patentability.”¹¹⁴ The *Swanson* court analyzed the statutory language, legislative history, and the purposes behind reexamination and concluded “that Congress did not intend a prior court judgment upholding the validity of a claim to prevent the PTO from finding a substantial new question of validity regarding an issue that has never been considered by the PTO.”¹¹⁵ Further, the court noted that in civil litigation, alleged infringers must prove a patent invalid by clear and convincing evidence as compared to the USPTO, where the standard of proof is only a preponderance.¹¹⁶ Thus, for the preceding reasons, the court found that prior civil litigation did not preclude a “substantial new question of patentability” from arising in part from documents that were considered in the prior litigation.¹¹⁷ The dissent in *In re Construction Equipment Co.* rebutted this argument noting, “a lower standard of proof in an administrative

111. See *In re Swanson*, 540 F.3d 1368, 1375–76 (Fed. Cir. 2008). The 2002 Amendments were intended to undo the consequences of *Portola Packaging*.

112. See generally *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997). In *Portola Packaging*, the court interpreted § 303(a), which requires a “substantial new question of patentability affecting any claim of the patent concerned . . .” to mean that reexamination could not be based on “prior art previously considered by the PTO in relation to the same or broader claims.” See also *In re Swanson*, 540 F.3d at 1375 (internal quotes omitted).

113. *In re Swanson*, 540 F.3d at 1375. The new sentence added to § 303(a) states, “The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.” See 35 U.S.C. § 303(a) (2012).

114. See *In re Swanson*, 540 F.3d at 1375–76.

115. *Id.* at 1376–78. The statute does not define what constitutes a “substantial new question of patentability.” However, the language added in the amended statute specifically discusses references “previously cited by or to the Office or considered by the Office,” 35 U.S.C. § 303(a) (2002), but does not address any prior citation or consideration by courts. Similarly, the legislative history for both the original and amended reexamination statute suggest that Congress was concerned only with the consideration of issues in prior PTO examinations, not prior civil litigation. The legislative history of the 2002 amendment similarly states that the test for a substantial new question of patentability should focus on what “the examiner” considered. H.R. REP. NO. 107-120, at 3 (2001). Not once in the legislative history did Congress refer to references or issues addressed in prior civil litigation.

116. See *In re Swanson*, 540 F.3d at 1377–78.

117. See *id.* at 1378.

agency cannot override the finality of judicial adjudication.”¹¹⁸

Once again, the legal arguments on both sides of the debate are valid; however, it is the duty of judges to look past the technicalities in such close and ambiguous cases and respect the rights of the parties that are at stake. The *Swanson* court focused on Congress’s intent to broaden the reach of the patent reexamination statute which it certainly did intend to do; however, that court also noted, “[n]ot once in the legislative history did Congress refer to references or issues addressed in prior civil litigation.”¹¹⁹ Further, the dissent from *In re Construction Equipment Co.* noted, “The reexamination statutes do not purport to grant to the PTO the authority to ignore final judgments. Such an adjudicatory structure would not have been contemplated by the Congress”¹²⁰ Therefore, without an explicit congressional statement that prior rights granted to a patent holder by an Article III court are intended to be taken away by an executive agency such as the PTO, some change is needed.

One of the fundamental problems with the arguments on both sides is that neither side has acknowledged that in the phrase “substantial new question of patentability,” the term “new question,” i.e. issue, is not defined. To the dissent in *In re Construction Equip. Co.*, the issue is clearly obviousness generally.¹²¹ Essentially, the dissent is saying that because obviousness was litigated years before, Powerscreen could not raise a “substantial new question of patentability” based on obviousness. The dissent did not view the new references as the new question; the question was only obviousness. This makes sense for multiple reasons. First, in line with the Federal Rules of Civil Procedure, a party can only seek relief from a judgment or order by entering new evidence if the evidence is of the type that “with reasonable diligence, could not have been discovered in time to move for a new trial under Rule 59(b).”¹²² The Federal Rules of Civil Procedure thus keep parties diligent by giving only one trial and requiring the parties to diligently seek out all of the evidence relevant to a case the first time in court.

New references in obviousness analyses are practically and realistically closer to new “evidence” than “substantial new questions of patentability,” because references are essentially documents. References are typically documents from science or industry, and such documents when used in civil or criminal court are typically entered as

118. *In re Constr. Equip. Co.*, 665 F.3d 1254, 1261 (Fed. Cir. 2011) (Newman, J., dissenting).

119. *See In re Swanson*, 540 F.3d at 1377.

120. *See In re Constr. Equip. Co.*, 665 F.3d at 1259 (Newman, J., dissenting).

121. In discussing res judicata and issue preclusion, the dissent in *In re Constr. Equip. Co.* stated, “Powerscreen could not have relitigated the question of obviousness in any court.” *Id.*

122. FED. R. CIV. P. 60(b)(2).

“evidence” and not “issues.”¹²³ Further, because obviousness analyses are conducted “at the time the invention was made . . . to a person having ordinary skill in the art,” all references must exist at or before the time of the invention.¹²⁴ Thus, in the original litigation between CEC and Powerscreen, the additional documents that Powerscreen put forth years later to the USPTO would have been available if Powerscreen searched more diligently because they must have existed at the time of the invention.¹²⁵ The patent system, like the civil courts via the Federal Rules of Civil Procedure, should reward diligent parties and not give parties the opportunity to drag out such matters for decades.

Another reason that the “issue” or “substantial new question” should be viewed as obviousness alone and not new references is that the longer litigation or reexamination proceedings go on, the more likely judges and the USPTO will engage in “hindsight combination.”¹²⁶ The dissent in *In re Construction Equip. Co.* described this briefly and accused the majority of engaging in hindsight combination by taking disparate elements of the new references and old references to “piece together” the invention without a “rational underpinning” for combining the references.¹²⁷ It took Powerscreen nearly ten years to gather these documents and construct its arguments, so was the Screen-It really all that “obvious?”

When an invention is in use in the public domain, the more common it will become, either to the industries or consumers that use the invention. As time goes on, the more likely any observer would engage in a hindsight-style obviousness analysis, including judges. For instance, most members of the public would certainly now call Post-it Notes obvious. However, at the time of the invention, no similar invention existed, and Post-it Notes were in fact patented.¹²⁸ And incorrectly, the majority stated in its brief opinion, “[a]s CEC itself admits, the basic concepts of sifting and sorting material are not new. Neither are the concepts of carrying material via conveyors”¹²⁹

First, the majority’s comment misconstrues the issues because in an obviousness analysis, it is not relevant whether the aforementioned *concepts* are new.¹³⁰ Second, as time goes on, any litigant will be able

123. See FED. R. EVID. 803(6). This exception to hearsay in the Federal Rules of Evidence of commonly called the “business records exception” and the documents that would be used as new references in prior art would be comparable to business records.

124. See 35 U.S.C. § 103(a) (2012).

125. See *id.*

126. See *In re Constr. Equip. Co.*, 665 F.3d at 1262 (Newman, J., dissenting).

127. See *id.* at 1262–63 (internal quotes omitted).

128. See U.S. Patent No. 5,194,299 (filed Dec. 31, 1986).

129. See *In re Constr. Equip. Co.*, 665 F.3d at 1256.

130. In the patent statutes 35 U.S.C. § 102 discusses novelty, and this was not an issue in the case.

to find more distantly related references that can be combined to contribute to a finding of obviousness. The problem is that inventions eventually become more common and the likeliness of hindsight increases. Then, weaker and weaker references can contribute to a finding of obviousness. When Powerscreen returned with five new references to the USPTO for reexamination, some of these were foreign references and likely were not found in time to be used in the original litigation.¹³¹ This not only shows a possible lack of diligence on the part of Powerscreen, which should not be rewarded by allowing a second chance in the USPTO. Also, had these references been used in the original litigation years earlier with a lower chance of hindsight construction, these references may not have been relevant enough for a finding of obviousness. Further, in the courts, a defendant must prove a patent invalid by clear and convincing evidence whereas in the USPTO, a patent need only be found obvious by a preponderance of the evidence.¹³² If Powerscreen had been diligent and found such references years earlier for the original litigation when the chance of hindsight analysis was lower and the burden of proof higher in the Article III court, the Screen-It may not have been found obvious at all.

The problems discussed herein should be addressed by Congress as the technical legal arguments by the court are strong on both sides and ignore almost wholly the rights of and costs to the parties involved in civil litigation and reexamination proceedings. One simple solution could be a statement by Congress that issues related to patentability in 35 U.S.C. §§ 101, 102, and 103, such as utility, novelty, and obviousness, previously litigated in the courts of the United States are not subject to review by the USPTO at the request of a party from prior litigation. Another possible solution might be a statute of limitations on USPTO ex parte reexamination of an issue after civil litigation.

The dissent in *In re Construction Equip. Co.* likely would not seem as irritated by the decision of the USPTO if it had not happened nearly a decade after the original litigation between Powerscreen and CEC. If there were a one-year statute of limitation on the same party raising the same issue in the USPTO that it litigated before in an Article III court, this would put the patentee on notice that it may need to further defend its patent in an agency proceeding. Further, this would keep parties diligent while avoiding the question as to whether new references should be viewed as new issues or new evidence.

In *In re Construction Equipment Co.*, it becomes questionable how a

See 35 U.S.C. § 102 (2012).

131. See *Ex Parte Constr. Equip. Co.*, No. 2009-005265, 2009 WL 2807871, at *4 (B.P.A.I. Aug. 31, 2009).

132. See *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008).

company like CEC can make business decisions when it can never be secure in what rights it possesses. It is true that Congress has an interest in ensuring patents are properly issued;¹³³ however, there is also an interest in allowing patent holders to feel secure in their rights. If they are not, then the patent incentive is severely decreased, and inventors and business owners could simply turn to trade secrets. It is questionable whether a litigant deserves another opportunity to prove a patent invalid in the USPTO at a lower burden of proof after failing in the courts, especially in light of the constitutional concerns discussed *supra* in Part III(A). However, if Congress feels such an opportunity is deserved and constitutional, a statute of limitations would at least provide the parties with knowledge of their rights and burdens.

IV. THE CONTINUING LEGAL BATTLE

Recently, the Federal Circuit issued a similar opinion and dissent in *In re Baxter Intern, Inc.*,¹³⁴ and it subsequently denied a rehearing en banc.¹³⁵ The case surrounded U.S. Patent 5,247,434 for a hemodialysis machine, which a prior Federal Circuit decision had rendered not invalid.¹³⁶ However, upon reexamination at the USPTO, claims 26–31 of the patent were found to be obvious in light of the prior art.¹³⁷ The majority opinion authored by Judge Lourie once again found no issue with the different decisions in the federal court and in the USPTO.¹³⁸ Judge Lourie focused on the varying standards of proof for a challenger to prove a patent invalid (clear and convincing in the courts and a preponderance in the USPTO), and found that it should be expected that the the judicial and executive bodies could render different decisions even when presented with the same evidence.¹³⁹

On the other hand, in both the original opinion and the denial for rehearing en banc, Judge Newman issued scathing dissents focused on the same issues discussed *supra*.¹⁴⁰ The judge discussed why such different decisions should not be allowed based on finality of judicial

133. See *In re Swanson*, 540 F.3d at 1378 (“To hold otherwise would allow a civil litigant’s failure to overcome the statutory presumption of validity to thwart Congress’ purpose of allowing for a reexamination procedure to correct examiner errors, without which the presumption of validity never would have arisen.”).

134. See *In re Baxter Intern, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012).

135. *In re Baxter Intern, Inc.*, 698 F.3d 1349 (Fed. Cir. 2012).

136. See *In re Baxter Intern, Inc.*, 678 F.3d at 1360.

137. See *id.*

138. See *id.* at 1364–65.

139. See *id.*

140. See *id.* at 1366–70 (Newman, J., dissenting); see also *In re Baxter Intern., Inc.*, 698 F.3d 1349, 1351–54 (Fed. Cir. 2012) (Newman, J., dissenting).

decisions, preclusion, and constitutional separation of powers.¹⁴¹ The majority, in denying en banc rehearing, largely ignored the concerns of the dissent and determined that a court cannot find a patent to be “valid”—only “not invalid”—and thus any reexamination determining claims of a patent to be invalid does not change the decision of a federal court.¹⁴²

The *Baxter* and *In re Construction Equipment Co.* decisions were issued in close proximity and contain valid, rigorous legal arguments for both the majorities and dissents. This shows that the issue is ripe for discussion by either the Supreme Court or Congress, and in light of the real effects on business parties discussed *supra*, it would seem such a discussion is necessary.

V. CONCLUSION

In re Construction Equipment Co. raises many questions concerning the constitutional implications of USPTO hearings after civil litigation, issue preclusion, and the rights and duties of patent holders and alleged infringers. The legal arguments on both sides are technical and valid; however, what must not be forgotten in such cases are the rights of and costs to the parties. After having won its rights to a legal monopoly on a new and useful machine nearly a decade earlier, the Federal Circuit stripped CEC of this right in favor of a litigant that CEC had previously defeated in the courts and in an instant lost its business model it likely had planned and operated around for nearly ten years. Such issues are part of the reason that the patent system was viewed as confusing, expensive, and needing reform, thus leading to the America Invents Act. Even with the America Invents Act, such issues will continue to arise and negatively impact the patent system if the rights of and costs to the parties are not considered when rendering such decisions.¹⁴³ While Thomas Jefferson viewed patents in some ways as an “embarrassment,” the system has undoubtedly released secrets to the public that otherwise

141. See *id.* at 1366–70 (Newman, J., dissenting); see also *In re Baxter Intern., Inc.*, 698 F.3d 1349, 1351–54 (Fed. Cir. 2012) (Newman, J., dissenting).

142. See *In re Baxter Intern., Inc.*, 698 F.3d at 1351.

143. The new America Invents Act provides new post-grant review procedures. America Invents Act, H.R. 1249, 112th Cong. (1st Sess. 2011). However, *ex parte* reexaminations, the type of reexamination initiated by Powerscreen here, remain generally the same. Matthew C. Phillips & Kevin B. Laurence, *Changes to Reexamination Under the America Invents Act*, INTELL. PROP. TODAY, <http://www.iptoday.com/issues/2011/11/changes-to-reexamination-under-america-invents-act.asp> (last visited Nov. 5, 2012) (“The AIA leaves *ex parte* reexamination largely unchanged. The most significant change is that the new review proceedings will estop *ex parte* reexamination. The only other changes are fairly minor. They are (1) elimination of the option to appeal from the Board to district court; (2) addition of new statutory language to echo the SNQP standard; and (3) expanded citation of information in issued patent files to permit citation of patent owner statements regarding claim scope.”).

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would remain secret.¹⁴⁴ And, if parties are expected to continue to utilize the system, there must be some level of finality accorded to judicial decisions and the rights of patent holders such that they can make rational business decisions.

144. The recipe for Coca-Cola has remained secret as a trade secret for more than 100 years. *Coca-Cola Moves its Secret Formula to The World of Coca-Cola*, COCA-COLA COMPANY, http://www.thecoca-colacompany.com/dynamic/press_center/2011/12/coca-cola-secret-formula-moves-to-the-world-of-coca-cola.html (last visited Nov. 22, 2012).

