

Federal Circuit Patent Bulletin: In re *Affinity Labs of Texas, LLC*

May 8, 2017

"[S]ection 317(b) plainly limited the scope of estoppel in all circumstances to only those claims actually challenged and for which the requesting party received an adverse final decision in the district court proceeding."

On May 5, 2017, in *In re Affinity Labs of Texas, LLC*, the U.S. Court of Appeals for the Federal Circuit (Taranto, Chen,* Stoll) affirmed the U.S. Patent and Trademark Office Patent Trial and Appeal Board decision in two inter partes reexaminations and an ex parte reexamination of U.S. Patent No. 7,324,833, which related to a system and method for connecting a portable media player, such as an MP3 player, to a different electronic device, such as a car audio system. The Federal Circuit stated:

In order to further encourage parties to use the PTO's patent reexamination procedure, Congress enacted in 1999 inter partes reexamination "as an option to the existing ex parte reexamination proceedings." With inter partes reexamination, Congress hoped, as it had when it enacted ex parte reexamination years earlier, to "reduce litigation in district courts and make reexamination a viable, less costly alternative to patent litigation." In contrast to ex parte reexamination, Congress specifically provided the third party reexamination requester the opportunity to fully participate in the inter partes proceeding.

In addition to allowing requester participation in inter partes reexamination, Congress enacted measures in the inter partes reexamination statute to "prevent abusive reexamination requests, including broad estoppel provisions." . . . Section 317(b) bars a party from using the inter partes reexamination process after a final

Authors

Neal Seth
Partner
202.719.4179
nseth@wiley.law

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decision has been entered against that party in a civil action, finding “that the party has not sustained its burden of proving the invalidity of any patent claim in suit.” . . . A few notable features of the inter partes reexamination statutory estoppel provision stand out from its plain language: (1) it applies to the party in the civil action that loses its validity attack against “any patent claim” as well as the party’s privies; (2) it applies to validity issues raised in the civil action or that could have been raised in that action; (3) unlike section 317 (a), it speaks in terms of any “patent claim,” as opposed to the “patent;” (4) it prohibits the losing party and its privies from requesting an inter partes reexamination “of any such patent claim;” and (5) “on the basis of such issues,” it prohibits the PTO from “maintain[ing]” any inter partes reexamination requested by the losing party. . . .

The crux of Affinity’s argument is that the statute operates differently and has a much broader impact against a losing party’s active, pending inter partes reexamination compared to a losing party’s request for an inter partes reexamination. According to Affinity, if a patent challenger conclusively loses its validity challenge in court against, say, claims 1–5 of a 20-claim patent, section 317(b) prevents that party from requesting an inter partes reexamination on just claims 1–5 (and not claims 6–20) of that patent on issues that had been raised or could have been raised in the civil action. No one disagrees there.

But, in Affinity’s view, section 317(b) requires termination of a pending inter partes reexamination that had been requested by the losing party, regardless of which claims of the patent are being reexamined in the proceeding: it could be claims 1–10, or 1–20, or even 6–20. For Affinity then, the scope of the statutory estoppel is claim-specific as to requests for inter partes reexamination, but is purely patent-as-a-whole-driven for maintaining a pending inter partes reexamination. We disagree with Affinity’s proposed interpretation and instead see the estoppel provision’s claim-based approach applying in the same way to both a request for inter partes reexamination and the maintenance of a pending inter partes reexamination.

[A]s with section 317(b), the statute in section 315(c) similarly estops the requester from challenging again, in a different venue, the validity of claims that were actually decided against the requester. Nothing in section 315(c), however, estops the requester from challenging at a later time the validity of a claim that was not previously requested pursuant to section 311 and reexamined pursuant to section 313.

Upon review of the text, structure, and history of the inter partes reexamination statute, we decline to read section 317(b) in an incongruous way that would cause the statutory estoppel provision to apply differently for requesting an inter partes reexamination compared to maintenance of a pending inter partes reexamination. Such a reading would require us to read a patent-based assumption into a portion of that provision where there is none and Affinity offers no reason why one would exist. We, therefore, conclude that section 317(b) plainly limited the scope of estoppel in all circumstances to only those claims actually challenged and for which the requesting party received an adverse final decision in the district court proceeding. Congress could have mandated that any challenge to any claim in a patent in an inter partes reexamination would be estopped once a validity challenge to one or more claims of the patent had been rejected in a prior proceeding, yet it did not do so. Rather, Congress chose to estop only further validity challenges—using inter partes reexamination—to the specific claims the validity of which had been previously resolved against the requester. As such, we reject Affinity’s argument that the PTO was required to terminate the Volkswagen

reexamination with respect to all claims in that reexamination. We instead affirm the PTO's decision to terminate that reexamination as to only the claims in which a final decision in the civil action has been entered—claims 28 and 35.

We also find no basis in the statute for Affinity's argument that the final decision in the Volkswagen litigation should have preclusive effect on the reexaminations requested by King or Apple. By its plain and unambiguous terms, pre-AIA section 317(b) extends only to inter partes reexaminations—not ex parte reexaminations. The estoppel effect of the statute, therefore, has no bearing on the ex parte King reexamination. Moreover, the statute also imposes the aforementioned limitations only on a requester that was a party to the civil action or its privies. Because Apple was neither a party to the Volkswagen litigation nor was there any evidence Apple was Volkswagen's privy, we also find no error in the PTO's decision not to terminate the inter partes reexamination requested by Apple.