

(In)valid Patents

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Increasingly, accused infringers challenge the validity of a patent in two different forums: in litigation in federal district court and in post-issuance review at the Patent and Trademark Office (PTO). These duplicate proceedings to determine patent validity have produced controversial and seemingly inconsistent results. In one recent case, the Federal Circuit held an infringer liable for nearly \$400 million in damages even though the PTO had ruled that the infringed patent was invalid. In another case, an infringer sought PTO review only after an unfavorable summary judgment decision, yet the Federal Circuit held that the PTO's eventual ruling of invalidity trumped the district court's damages award.

These outcomes are dictated by the Federal Circuit's pronouncement that, in parallel proceedings between the courts and the PTO, the first forum to reach an absolute, irrevocable conclusion takes precedence. This "absolute finality" rule raises serious questions of judicial economy, fairness, and separation of powers. Among other things, it allows alleged infringers multiple opportunities to defeat liability, permits an administrative agency to nullify decisions of Article III courts, and incentivizes courts to abstain from hearing patent cases altogether, at least until the PTO reconsiders the patent's validity.

That said, some inefficiency and unfairness is inevitable when two different government bodies can evaluate the validity of the same patent, and the absolute finality rule, if nothing else, provides a relatively bright-line test. But it is not the only way to mediate conflicts between the courts and the PTO. One simple improvement would be for both forums to apply the same burdens of proof and standards of claim construction, which would give court rulings preclusive effect in PTO proceedings, and vice versa.