

**CAN A PATENT ONCE
ADJUDICATED TO BE INVALID
BE RESURRECTED?**

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INTRODUCTION

It has long been considered black letter law that when a patent has been declared invalid in response to a successful defense by an alleged infringer, the patentee is subject to a plea of estoppel by the same or a different subsequent alleged infringer confronted with a similar charge. As we know, the U.S. Supreme Court in Blonder-Tongue Labs., Inc. v. University of Illinois Foundation^{1/} overturned Triplett v. Howell^{2/} “. . . to the extent it forecloses a plea of estoppel by one facing a charge of infringement of a patent that has once been declared invalid.”

The holding of Blonder-Tongue was not absolute, however, for the Court recognized that a patentee could avoid the collateral estoppel effect of a prior judgment of invalidity if it could demonstrate that in the prior action it did not have a fair opportunity procedurally, substantively and evidentially to pursue its claim. Nevertheless, after that holding, lower courts do not favorably view a patentee’s contention that it did not have a full and fair opportunity to rebut a successful attack on the validity of its patent.^{3/}

So it has become generally understood that once a patent is declared invalid it is thereafter and forever invalid as to all other parties, absent some special circumstance.

But is that understanding correct? Can a patent adjudicated to be invalid be resurrected to be asserted against the same or a different party another day? The answer is “yes” if the patentee first chose to assert its patent in an action for unfair trade practices in the International Trade Commission (“ITC”)^{4/} under Section 337 of the Tariff Act of 1930.^{5/}

^{1/} 402 U.S. 313 (1971).

^{2/} 297 U.S. 638 (1936).

^{3/} D. Chishum, Patents, § 19.02[2][b].

^{4/} The predecessor of the ITC was the U.S. Tariff Commission, which was renamed by the Trade Act of 1974.

^{5/} 19 U.S.C. § 1337.

DISCUSSION

I. THE JURISDICTION OF THE ITC

The ITC operates under authority of Section 337 of the Tariff Act of 1930 as amended, which provides that:

The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that —

(i) infringe a valid and enforceable United States patent . . . ;
or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.^{6/}

is considered to be unlawful

. . . if an industry in the United States, relating to the articles protected by the patent . . . concerned, exists or is in the process of being established.^{7/}

However, before 1974, the ITC was barred by judicial decision from reviewing the validity of patents asserted before it under Section 337. See, Lannom Mfg. Co., Inc. v. ITC.^{8/} The Trade Act of 1974 removed that bar, and thereafter explicitly authorized the ITC to address “all legal and equitable defenses” that previously could have been raised in the courts.^{9/} In making this change, the Senate Report on the amended legislation stated:

^{6/} 19 U.S.C. § 1337(a)(1)(B).

^{7/} 19 U.S.C. § 1337(a)(2).

^{8/} 799 F.2d 1572, 1576 (Fed. Cir. 1986).

^{9/} 799 F.2d at 1576.

[T]he public policy recently enunciated by the Supreme Court in the field of patent law (cf., *Lear, Inc. v. Atkins* [sic], 395 U.S. 653 (1969) and the ultimate issue of the fairness of competition raised by section 337, necessitate that the Commission review the validity and enforceability of patents, for the purposes of section 337, in accordance with contemporary legal standards when such issues are raised and are adequately supported. The Committee believes the Commission may (and should when presented) under existing law review the validity and enforceability of patents, but Commission precedent and certain court decisions have led to the need for the language of amended section 337(c). The Commission is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon for the purposes of determining whether section 337 is being violated. (Emphasis added)^{10/}

The Senate Report further said:

The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts. (Emphasis added)^{11/}

II. SUBSEQUENT FEDERAL COURT CONSIDERATION OF ITC DETERMINATIONS

A. In re Convertible Rowing Exerciser Patent Litigation^{12/}

Judge Longobardi of the District of Delaware was perhaps the earliest to deal explicitly with the issue of collateral estoppel effect of an ITC decision of patent invalidity.

^{10/} 799 F.2d at 1577, quoting Senate Report No. 1298, 93rd Cong., 2d Sess. 196 reprinted in 1974 U.S. Code Cong. and Admin. News 7329.

^{11/} 799 F.2d at 1577-78.

^{12/} 721 F. Supp. 596 (D. Del. 1989); appeal denied, 904 F.2d 44 (Fed. Cir. 1990); rehearing, en banc, denied, 903 F.2d 822 (1990); cert. denied, 498 U.S. 897 (1990).

In In re Convertible Rowing Exerciser Patent Litigation, he characterized it as one of first impression:

The precise question before the Court is whether the determination of the ITC invalidating the '071 patent [subject to an investigation under Section 337], affirmed by the Court of Appeals for the Federal Circuit ("Federal Circuit"), made relative to a determination that no violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337 (1982)) occurred, should be given preclusive effect in this Court despite the grant of original jurisdiction over patent matters placed in the District Courts under 28 U.S.C. § 1338 (1982).^{13/}

There, Diversified Products ("DP") asserted its patents in nine separate actions in U.S. district courts around the country. Subsequently, DP filed a complaint with the ITC alleging that at least one of the prior defendants, Weslo, had committed acts of unfair trade practice. Weslo defended on the basis that DP's asserted patent was invalid. After completing its investigation, the ITC found the patent invalid and, therefore, that no violation of Section 337 had occurred. DP appealed the ITC determination of invalidity to the Federal Circuit, which affirmed without opinion. Diversified Products Corp. v. U.S.I.T.C.^{14/} Defendants in the District Court action thereafter moved for summary judgment that the DP patent was invalid based on the affirmance of the ITC determination by the Federal Circuit.

Judge Longobardi reviewed at length the Supreme Court's decision in Blonder-Tongue and confronted whether or not it should apply in the factual setting before him. His analysis led him to conclude:

The question the ITC examines under section 337 and the question the District Court examines under section 1338 are thus quite different in both form and substance. That is, Congress, in promulgating the jurisdictional parameters for the ITC and the federal District Courts, created two separate jurisdictions to consider two distinct questions: jurisdiction over unfair trade acts lies with the ITC

^{13/} 421 F. Supp. at 597. (Footnotes omitted). 28 U.S.C. § 1338 provides:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents

Such jurisdiction shall be exclusive of the courts of the states in patent cases.

^{14/} 824 F.2d 980 (Fed. Cir. 1987).

while jurisdiction over the validity, enforceability and infringement of patents lies with the federal District Courts.^{15/}

* * *

The Federal Circuit reviews District Court decisions under section 1338 with regard to patent validity, enforceability and infringement; whereas, the Federal Circuit reviews whether the ITC made the correct determination under section 337 as to unfair trade practices in import trade. Thus, this Court cannot properly accord preclusive effect to a Federal Circuit affirmance of an ITC determination when the question on appeal before the Federal Circuit from an ITC determination differs substantially in both form and substance from the question on appeal from District Court patent adjudication. Also, the legislative history of the Trade Reform Act of 1974 provides that ITC determinations should not estop other federal courts from reviewing the same patent. S.Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974), 1974 U.S.Code Cong. & Admin.News 7186, 7329. Therefore, this Court could not properly accord preclusive effect to the ITC determination affirmed by the Federal Circuit. (Emphasis added)^{16/}

Thereafter, Weslo moved for partial summary judgment that the ITC's findings of fact relating to invalidity of the DP patent were entitled to preclusive effect. In re Convertible Rowing Exerciser Patent Litigation.^{17/} This time, Weslo received a more favorable result, with Judge Longobardi finding:

For purposes of collateral estoppel, therefore, the ITC's factual findings relative to the issue of patent validity constitute findings "essential" to the ultimate determination over which it does have jurisdiction (whether an unfair trade practice has occurred). The Plaintiff does not argue or challenge in any of its submissions to this Court that the ITC's factual findings relating to the validity of the patent were not essential to its ultimate determination that the Defendants had not committed a violation under the Fair Trade and Practices Act.

^{15/} 721 F. Supp. at 601. (Citations omitted)

^{16/} 721 F. Supp. at 602-3. (Footnotes omitted)

^{17/} 814 F. Supp. 1197 (D. Del. 1993).

Because the Court concludes that the factual findings relating to the validity of the patent were actually litigated by the parties before the ITC, because those facts were determined in the context of the ITC's final and valid judgment concerning unfair trade practices and because those factual findings were essential to that judgment, the standards for the application of collateral estoppel have been met in this case.^{18/}

Accordingly, Judge Longobardi left the parties with a dichotomy. In his view, findings of fact by the ITC relating to patent validity, if actually litigated, would be given preclusive effect even if the ultimate conclusion of law, that the Complainant's patent was invalid, would not.

B. Texas Instruments Inc. v. Cypress Semiconductor Corp.^{19/}

The Federal Circuit thereafter considered the matter in a case where the District Court for the Northern District of Texas had granted defendants judgment as a matter of law that they didn't infringe TI's patents. However, TI had initiated an action in the ITC against all three defendants before the District Court. The ITC found at least some of the claims of a TI patent to have been infringed and issued a limited exclusion order prohibiting importation of the offending products. In re Certain Plastic Encapsulated Integrated Circuits^{20/}; affirmed, Texas Instruments Inc. v. U.S.I.T.C.^{21/}

Simultaneously, TI had brought the District Court action in which the result opposite to that from the ITC obtained. TI argued on the second appeal that the ITC's prior favorable determination and the Federal Circuit's affirmance of it should be given preclusive effect in the District Court. TI did not limit its argument to the ITC's findings of fact, and, therefore did not attempt to rely on Judge Longobardi's dichotomy.

While the Federal Circuit in this subsequent appeal acknowledged that an administrative agency decision may be given preclusive effect in a federal court if the agency acted in a judicial capacity, such a decision issued in accordance with a statute cannot have preclusive effect if Congress indicated that it intended otherwise, either expressly or

^{18/} 814 F. Supp. at 1207.

^{19/} 90 F.3d 1558 (Fed. Cir. 1996).

^{20/} Inv. No. 337-TA-315, USITC Pub. No. 2574 (Nov. 1992).

^{21/} 988 F.2d 1165 (Fed. Cir. 1993).

impliedly.^{22/} The Court then reviewed the legislative history of the Trade Reform Act of 1974 and stated:

Based on this legislative history, we have stated that Congress did not intend decisions of the ITC on patent issues to have preclusive effect.

* * *

Recent changes to ITC procedures and the formation of this court as the exclusive appellate court for patent cases, including ITC determinations, do not compel a different rule. (Emphasis added)^{23/}

The Court went further in supporting this result by stating:

Moreover, allowing prior ITC decisions on patent infringement questions to have preclusive effect would potentially deprive the parties of their Seventh Amendment right to a jury trial on the issue of infringement.^{24/}

Thus, while TI did not involve the preclusive effect of a determination of patent invalidity by the ITC, it seems unequivocal in denying such effect to any determination of any patent issue by that agency.

C. Fuji Photo Film Co. Ltd. v. Jazz Photo Corp. Inc.^{25/}

In 1998, Fuji filed a complaint with the ITC asserting that 27 respondents, including Jazz, engaged in unfair competition by infringing its patents. The ITC found for Fuji and issued a cease and desist order against Jazz, and a general exclusion order. The ITC was unpersuaded by Jazz's defenses that the Fuji patents were invalid and unenforceable. Jazz then appealed to the Federal Circuit, which reversed the ITC on several grounds but specifically affirmed its findings that Fuji's patents were valid and enforceable. Jazz Photo Corp. v. ITC.^{26/}

Fuji also sued Jazz for patent infringement in the U.S. District Court for the District of New Jersey. Before the District Court, Fuji moved for partial summary judgment

^{22/} 90 F.3d at 1568. (Citations omitted)

^{23/} 90 F.3d at 1569.

^{24/} 90 F.3d at 1569, note 10.

^{25/} 173 F. Supp. 2d 268 (D.N.J. 2001).

^{26/} 264 F.3d 1094 (Fed. Cir. 2001).

that one of its patents was not obvious and that it did not engage in inequitable conduct. In granting these motions, Judge Hochberg nevertheless noted:

In analyzing the prior decisions in this matter this Court is mindful of the findings and opinions rendered by the ALJ and ITC, as well as the opinion rendered by the Federal Circuit on appeal from the ITC. However, while such findings and opinions serve a persuasive value, they do not receive any deferential treatment nor do they have a preclusive effect on any findings and opinions rendered by this Court. *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568 (Fed. Cir. 1996). This Court therefore renders its opinion based on an independent review of the facts and law.^{27/}

The Court also explicitly rejected Judge Longobardi's dichotomy between the preclusive effect of ITC findings of fact but non-preclusive effect of conclusions of law:

Plaintiffs urged this Court to adopt the position advanced by Judge Longobardi of the District Court of Delaware in *In re Convertible Rowing Exerciser Patent Litigation*, 814 F. Supp. 1197 (D. Del. 1993). Judge Longobardi held that while the Federal Circuit has decided the *legal* findings rendered by the ITC do not carry a preclusive effect, the same cannot be said of *factual* findings. *Id.* at 1204-05. This Court does not concur with this view. The decision in *Convertible Rowing* preceded *Texas Instruments*. The Federal Circuit in *Texas Instruments* had ample opportunity to distinguish between a factual or legal preclusive effect and did not do so. Nor is the analysis in *Texas Instruments* limited to legal findings. Consequently, this Court declines to follow *Convertible Rowing* and instead affords both the factual and legal findings of the ITC and the appeal thereof persuasive value only. (Emphasis added)^{28/}

**D. Minnesota Mining and Mfg. Co.,
Inc. v. Beautone Specialties Co., Ltd.**^{29/}

Here 3M asserted its patent against a number of defendants in the District Court and also in the ITC. The ITC investigation was permitted to proceed to conclusion in light of a stay granted by the District Court, and therein it was found that the 3M patent was not infringed. 3M appealed that determination to the Federal Circuit, which affirmed.

^{27/} 173 F. Supp. 2d at 274. (Citations omitted)

^{28/} 173 F. Supp. at 274.

^{29/} 117 F. Supp. 2d 72 (D. Mass. 1999).

Thereafter, the stay in the District Court was lifted and the Defendants moved for summary judgment. Among other arguments, Defendants asserted that 3M was collaterally estopped from relitigating the issue of infringement of its patent by the decision of the ITC.

In response, the District Court noted that Texas Instruments made clear that decisions of the ITC involving patent issues have no preclusive effect in other forums.^{30/} However, it was nevertheless noted:

[W]hile the Commission’s determination and subsequent affirmance by the Federal Circuit do not have collateral estoppel effect, Texas Instruments also makes clear that this Court cannot simply ignore the Federal Circuit’s decision affirming the ITC finding of no infringement in this case. As the panel stated, while “district court[s] can attribute whatever persuasive value to the prior ITC decision that [they] consider justified,” they “are not free to ignore holdings of [the Federal Circuit] that bear on cases before them.” *Id.* at 1569. Moreover, this Court must bear in mind that on appeal “subsequent panels of [the Federal Circuit] are similarly not free to ignore precedents set by prior panels of the court,” but are “bound to follow [Federal Circuit] precedents” and must have “thoroughly justified grounds” to deviate from prior panel holdings. *Id.*

* * *

[Therefore,] this Court must construe the [3M patent] claims and analyze the question of infringement against the background of these earlier proceedings.^{31/}

In so doing, the Court granted the Defendants’ motion.

III. U.S. PATENT AND TRADEMARK OFFICE CONSIDERATION OF ITC DETERMINATIONS

It is clear that the U.S. Patent and Trademark Office (“PTO”) considers itself bound by a final Federal District Court holding of patent invalidity and reexamination or reissue of such a patent will not be ordered.^{32/} However, the M.P.E.P. is silent with respect to the binding effect of an ITC determination on the PTO. Nevertheless, we know what the PTO has done in at least one such circumstance.

^{30/} 117 F. Supp. 2d at 81.

^{31/} 117 F. Supp. 2d at 83.

^{32/} See, M.P.E.P. § 2242 at 2200-45, 46.

A. Hitachi Metals, Ltd. v. Quigg^{33/}

As background, in Hitachi Metals Allied Signal asserted in the ITC that its patent was infringed by Hitachi and others, and sought an order excluding importation of Hitachi's products. The ITC determined that the Allied patent was unenforceable because of material misrepresentations made to the PTO during prosecution. While Allied appealed the ITC decision, that appeal was denied by the Federal Circuit as untimely. Unable to prosecute its appeal, Allied filed a reissue application in the PTO. Hitachi lodged reissue protests but, while the first was pending, the PTO published a notice indicating that it would no longer consider issues of violation of the duty of disclosure in either original or reissue applications. The PTO nevertheless reissued the Allied patent over the protest of Hitachi.

In the District Court, Hitachi challenged the grant by PTO of the Allied reissue patent and asserted, among other things, that the Commissioner of Patents was required to accord collateral estoppel effect to the ITC's finds of inequitable conduct and to reject Allied's reissue application on the bases of those findings.^{34/}

The District Court dismissed Hitachi's complaint because it lacked jurisdiction and, thus, did not explicitly consider the preclusive effect of the ITC determination.^{35/} Nevertheless, it is apparent that the PTO refused to give such effect to the decision of the ITC and reissued Allied patent in the face of its contrary finding.

CONCLUSION

If the factual context permits, a patentee should carefully consider first asserting its patent in the ITC, because if the asserted patent is found to be invalid or unenforceable, it may still be possible to resurrect the patent by reissue or reexamination to do battle another day.

^{33/} 776 F. Supp. 3 (D.C. Cir. 1991).

^{34/} 776 F. Supp. at 6.

^{35/} 776 F. Supp. at 10.