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Legal Updates

Federal Circuit Abandons Abandonment as Defense: Federal Circuit Holds Improper Revival of Abandoned U.S. Patent Application is No Defense in an Action Involving the Validity of a U.S. Patent

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On September 22, 2008, the Federal Circuit announced in *Aristocrat Technologies Australia Pty Limited v. International Game Technology* an interpretation of the Patent Act that limits the types of alleged errors by the PTO that can lead to a declaration of invalidity in a patent infringement action. Hewing closely to the text of the Patent Act, the Federal Circuit held that improper revival cannot be used as a defense.

Background

The infringement action was brought by Aristocrat Technologies Australia Pty Limited and Aristocrat Technologies, Inc. (together "Aristocrat") claiming that International Game Technology and IGT (together "IGT") infringed its patents relating to a slot machine game system. In response, IGT argued that the patents were invalid because Aristocrat's initial patent application was abandoned as a matter of law when Aristocrat missed the deadline for filing the required fee when it entered the U.S. national stage from its PCT application. Although the PTO had granted Aristocrat's petition to revive the application after Aristocrat showed that the delay in paying the filing fee was "unintentional," IGT argued that the PTO had exceeded its authority when it granted Aristocrat's petition to revive the patent application because such a revival was only authorized if Aristocrat could show that its delay was "unavoidable," a much more stringent standard.

Agreeing with IGT, the district court held the PTO could not revive a patent application merely on a showing of unintentional delay except where the statute specifically authorized it. Instead, the PTO could only revive if the delay was "unavoidable." This holding is contrary to the PTO's regulations and 25 years of practice. The district court also held that IGT could raise the PTO's alleged improper revival as a defense to infringement under 35 U.S.C. 282.

The Federal Circuit's Decision

The Federal Circuit did not reach the question whether the PTO could revive a patent application based on "unintentional" delay. Instead, it rejected IGT's argument that "improper revival" could be raised as an invalidity defense.

Starting with the 35 U.S.C. 282 of the Patent Act, the Federal Circuit identified four categories of defenses available in an action involving the validity or infringement of a patent:

1. Noninfringement, absence of liability for infringement or unenforceability,
2. Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
3. Invalidity of the patent or any claim in suit for failure to comply with any requirement of Sections 112 or 251 of this title,
4. Any other fact or act made a defense by this title.

It was clear that a claim of “improper revival” did not fall within the categories described in Sections 282(1) and 282(3). Examining the category described in Section 282(2), the Federal Circuit determined that not every statutory “requirement for obtaining a valid patent” constituted a “condition for patentability” that could be relied upon as a defense. The Federal Circuit reached this conclusion because Section 112 of the Patent Act imposed additional requirements for a patent to be valid, and Section 282(3) expressly made those requirements defenses. If Section 282(2) encompassed Section 112’s requirements as well, Section 282(3) would be superfluous. The Federal Circuit concluded that “Section 282(2), by virtue of its applicability to ‘condition[s] for patentability,’ relates only to defenses of invalidity for lack of utility and eligibility, novelty, and nonobviousness, and does not encompass a defense based upon the alleged improper revival of a patent application.”

Next, the Federal Circuit examined the catch-all provision Section 282(4), which allows as a defense “[a]ny other fact or act made a defense by” title 35. The Federal Circuit noted that Congress made it “clear” in the Patent Act when it intended to create defenses for invalidity or noninfringement. However, Congress did not indicate an intention to include revival of abandoned patent applications as a defense. Taking these two facts together, the Federal Circuit ruled that “[b]ecause the proper revival of an abandoned application is neither fact or act made a defense by title 35 nor a ground specified in part II of title 35 as a condition for patentability, we hold that improper revival may not be asserted as a defense in an action involving the validity or infringement of a patent.”

The Federal Circuit noted, however, that Section 282 did not exclude the possible existence of additional defenses. For example, Congress expected Section 282 to incorporate established equitable defenses, such as inequitable conduct or prosecution laches.

In addition, the Federal Circuit suggested that it could treat as a defense the violation of a statutory prohibition when the patent applicant had strong incentives to violate the prohibition and any remedy other than invalidity would not provide a sufficient deterrent. The Federal Circuit explained that its 1995 holding in *Quantum Corp. v. Rodime, PLC* was based on a determination that only invalidity would be a sufficient deterrent. *Quantum* held that a patentee who improperly enlarged the scope of its claims during reexamination subjected itself to a defense of invalidity even though this prohibition was not incorporated by Section 282.

By contrast, the Federal Circuit concluded no such deterrent was required regarding revival of abandoned patent applications because a patent applicant has no incentive to abandon its application, much less to attempt to persuade the PTO to improperly revive it. The Federal Circuit noted that the incentives are actually weighted heavily toward not abandoning because patents filed after enactment of the Uruguay Round Agreements Act generally have a term that runs 20 years from filing date. Abandoning the application would only serve to shorten the applicant’s right to exclude.

Further, the Federal Circuit expressed concern that recognizing improper revival as a defense would “lead accused infringers [to] inundate the courts with arguments relating to every minor transgression they could comb from the file wrapper.” Indeed, the Federal Circuit made clear that, save for recognized equitable defenses, the focus of a dispute about the validity of a patent should be on the substantive questions of infringement and validity and not on the procedures the PTO used to grant the patent.

Conclusion

Aristocrat cautions litigants that, except for recognized equitable defenses such as inequitable conduct, they cannot rely solely upon alleged procedural lapses by the PTO or the patent applicants during prosecution as a defense in action involving the validity or infringement of a patent. As the court noted, “Once a patent has issued, the procedural minutiae of prosecution have little relevance to the metes and bounds of the patentee’s right to exclude.”

Morrison & Foerster filed an *amicus* brief in the appeal in support of *Aristocrat* on behalf of the Neurotechnology Industry Organization.