Patent Law Update: Marine Polymer v. Hemcon

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Federal Circuit Reverses *Marine Polymer* Decision

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Federal Circuit issues en banc decision in Marine Polymer Techn. v. Hemcon case. The decision clarifies when intervening rights can arise as a result of a patent reexamination. Arguments alone cannot result in intervening rights.

The patent community was taken by surprise when, in September of 2011, a three judge panel of the Court of Appeals for the Federal Circuit vacated a jury verdict of $29.4M in past damages for infringement of Marine Polymer's patent, on the grounds of intervening rights arising as a result of a reexamination of the patent.

The most notable aspect of the Federal Circuit panel decision was that it found intervening rights applied as a result of arguments presented in the reexamination, and despite the fact that no amendments had been made to the language of the claims. The panel majority determined that the reexamination arguments disavowed claim scope and thus changed the scope of the original (pre-reexamination) claims. The panel majority held that in these circumstances it was appropriate for intervening rights to apply.

In its *en banc* ruling issued on March 15, 2012, a 6-4 majority of the full Court agreed that the rule of reexamination intervening rights announced by the earlier panel decision was wrong.

Under the Federal Circuit's *en banc* ruling, intervening rights cannot result from a patent reexamination in the absence of an actual change (i.e. amendment) to the language of the claims. The Court ruled that this was dictated by 35 U.S.C. § 307(b), which limits the application of intervening rights to the case of "amended or new" claims. In the majority's view, the governing language is "plain and unambiguous," and precludes argument alone giving rise to intervening rights.

The *en banc* decision is welcome news for patent holders. Following the panel decision, patent owners feared having their patents pulled into reexamination, and then being unable to defend their claims by arguing against asserted rejections without incurring the potentially devastating impact of intervening rights (i.e., loss of all claims for past damages). But for the possibility of Supreme Court review, that concern is put to rest.

On the other side, some patent challengers will not be happy with the decision, fearing that patent holders will "game" the system by seeking to change claim scope in reexamination by argument alone, thereby correcting their patent while avoiding the consequences of intervening rights.

The *en banc* majority viewed the latter scenario as "highly unlikely." In this regard, the majority noted: "If, in reexamination, an examiner determines that particular claims are invalid and need amendment to be allowable, one would expect the examiner to require amendment rather than accept argument alone." Nonetheless, the majority recognized "patent applicants' actions and arguments during prosecution, including prosecution in a reexamination proceeding, can affect the proper interpretation and effective scope of their claims."

Also of interest, the *en banc* Court's affirmance of the District Court's final judgment was by an equally divided Court. The Court split 5-5 on the issue of whether the District Court had properly construed the claims (pre-reexamination). This left the District Court's final judgment, including its claim construction and the $29.4M infringement damages award, intact. In the dissent's view, given the majority's ruling on claim construction, its discussion of the law of intervening rights was unnecessary and *dictum*, since there was no change of claim scope pre and post reexamination to give rise to the intervening rights issue. On the other hand, in the majority's view, it was appropriate to rule on the law of intervening rights the way it did "as an alternative ground for decision."

Please click here to view the decision.

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