

1-1-2011

# Preventing Inequity: Extending Issue Preclusion to Claim Construction During Reexamination of Previously Litigated Patents

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## Recommended Citation

Lauren Drake, *Preventing Inequity: Extending Issue Preclusion to Claim Construction During Reexamination of Previously Litigated Patents*, 44 Loy. L.A. L. Rev. 749 (2011).

Available at: <https://digitalcommons.lmu.edu/llr/vol44/iss2/14>

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**PREVENTING INEQUITY:  
EXTENDING ISSUE PRECLUSION TO CLAIM  
CONSTRUCTION DURING REEXAMINATION  
OF PREVIOUSLY LITIGATED PATENTS**

*Lauren Drake\**

*This Note explores the uncertainty and inequity created through the dichotomy approach to claim interpretation in the context of reexamination of previously litigated patents. To address this uncertainty and inequity, this Note argues that the claim interpretation determined in a Markman hearing should be binding on the U.S. Patent & Trademark Office (PTO) during reexamination of a previously litigated patent as a form of issue preclusion. To accomplish this result, this Note proposes three changes to current patent practice: first, the definition of “party” must be expanded to include the PTO; second, the PTO must abandon the broadest reasonable interpretation standard of claim interpretation when reexamining previously litigated patents; and third, Article III courts must deny motions to stay for the purpose of reexaminations.*

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## I. INTRODUCTION

Current patent practice employs differing methods of claim interpretation during patent prosecution and post-issuance review in the U.S. Patent and Trademark Office (PTO) and during litigation in Article III courts. The PTO interprets claims under the broadest reasonable interpretation standard,<sup>1</sup> while Article III courts hold *Markman*<sup>2</sup> hearings. The resulting inconsistency allows an alleged infringer to file a motion to stay and initiate a reexamination proceeding when a *Markman* hearing results in a harmful claim interpretation,<sup>3</sup> essentially giving the alleged infringer two bites at the apple. The uncertainty and inequity created through this process impedes the fundamental goal of the patent system—to provide incentives for creators to invent and publicly disclose their inventions.<sup>4</sup> This Note will argue that the claim interpretation determined in a *Markman* hearing should be binding on the PTO during reexamination of a previously litigated patent as a form of issue preclusion. To accomplish this, three changes to current patent practice must be made. First, the definition of “party” must be expanded to include the PTO, so that issue preclusion may apply. Second, the PTO must abandon the broadest reasonable interpretation standard of claim interpretation when reexamining previously litigated patents. Third, Article III courts must deny motions to stay for the purpose of reexaminations, so that the *Markman* claim interpretation is final before reexamination concludes.<sup>5</sup>

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1. U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 2111, at 2100-37 (8th ed., 6th rev. 2007) [hereinafter M.P.E.P.].

2. A *Markman* hearing is a proceeding to determine the meaning of the claims. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

3. See *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1294 (Fed. Cir. 2007); ROBERT GREENE STERNE ET AL., REEXAMINATION PRACTICE WITH CONCURRENT DISTRICT COURT OR USITC PATENT LITIGATION 13 (The Sedona Conference 2008) [hereinafter CONCURRENT LITIGATION]; Tony Dutra, *Patentee Challenges PTO’s Ongoing Reexam After Court’s ‘Final Decision’ on Validity*, PAT. TRADEMARK & COPYRIGHT J., Dec. 19, 2008, at 194.

4. Kelly Casey Mullally, *Legal (Un)Certainty, Legal Process, and Patent Law*, 43 LOY. L.A. L. REV. 1109, 1112 (2010).

5. While the suggested changes could be implemented through amending the Patent Act, this Note assumes that the Federal Circuit would implement the proposals.

## II. STATEMENT OF EXISTING LAW

### A. *Determining Patentability*

Patents protect “new, unobvious, and useful inventions”<sup>6</sup> that take the form of a process, machine, manufacture, or composition of matter.<sup>7</sup> In order to obtain a patent, an inventor must file an application with the PTO that includes “a specification describing and precisely claiming the invention.”<sup>8</sup> Following its submission to the PTO, the application is assigned to an examiner who conducts a search of the prior art<sup>9</sup> and determines if the invention complies with the legal requirements of patentability.<sup>10</sup> If the examiner determines that the application satisfies the legal requirements of patentability, he or she will allow the claim or claims<sup>11</sup> and issue a patent.<sup>12</sup> Upon issuance, the patent confers on the patent owner the right to exclude others from making, using, or selling the claimed invention in the United States for a period of twenty years from the application filing date.<sup>13</sup>

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6. 1 DONALD S. CHISUM, CHISUM ON PATENTS OV-1 (2010).

7. 35 U.S.C. § 101 (2006) (“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent thereof, subject to the conditions and requirements of this title.”).

8. 1 CHISUM, *supra* note 6, at OV-1.

9. The prior art constitutes those references which may be used to determine the novelty and nonobviousness of claimed subject matter in a patent application or patent. It includes both documentary sources (patents and publications from anywhere in the world) and nondocumentary sources (things known, used or invented in the United States). A reference must be in the art pertinent to the invention in question or in an analogous art. A reference must be dated prior to the applicant’s date of invention or, in the case of statutory bars, more than one year prior to his date of application for a patent.

*Id.* at GI-18.

10. The legal requirements of patentability are “novelty, utility, nonobviousness, enabling disclosure, and clear claiming.” *Id.* at OV-1.

11. *Id.* at OV-1–OV-2.

12. *Id.* at OV-2.

13. *See id.*; *id.* § 16.01 (“A patent extends for a term of (1) in the case of patents (except design patents) based on applications filed before June 8, 1995, (a) seventeen years measured from the date the patent issues or (b) twenty years measured from the earliest referenced application filing date, whichever is greater, and (2) in the case of patents based on applications filed on or after June 8, 1995, twenty years measured from the earliest referenced application filing date.”).

### B. Reexamination<sup>14</sup> Proceedings Within the PTO

Following issuance, the PTO loses its plenary jurisdiction to determine patentability but maintains the authority to reexamine patents on prescribed grounds.<sup>15</sup> The director of the PTO, the patent owner, or any other person may initiate a patent reexamination by citing prior art (in the form of patents or printed publications) and requesting that the PTO reexamine the patent claims on the basis of the cited prior art.<sup>16</sup> If the director determines that the cited prior art raises a substantial new question of patentability,<sup>17</sup> a reexamination proceeding is initiated and the claims in question are examined according to the initial examination procedures.<sup>18</sup> Upon conclusion of the reexamination proceeding, the director issues a certificate canceling any claims determined to be unpatentable and confirming any claims determined to be patentable.<sup>19</sup>

### C. Patent Litigation

Article III courts have exclusive subject matter jurisdiction over all cases arising under patent law.<sup>20</sup> The rights conferred by a patent can be enforced in an Article III court by anyone with an entire ownership interest in the patent.<sup>21</sup> Similarly, a party may seek a

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14. There are two varieties of reexamination—ex parte reexamination and optional *inter partes* reexamination. *Id.* § 11.07[4], at 11-711. The primary distinctions between the two varieties are that optional *inter partes* reexamination is only available for patents filed on or after November 29, 1999, and provides expanded rights for a third party requestor. *Id.* § 11.07[4](g), at 11-843–11-850. For the purposes of this Note, “ex parte reexamination” and “*inter partes* reexamination” will be referred to generally as “reexamination.”

15. *Id.* § 11.07.

16. *Id.* § 11.07[4].

17. A prior art patent or printed publication raises a substantial question of patentability where there is a substantial likelihood that a reasonable examiner would consider the prior art patent or printed publication important in deciding whether or not the claim is patentable. If the prior art patents and/or publications would be considered important, then the examiner should find “a substantial new question of patentability” unless the same question of patentability has already been decided as to the claim in a final holding of invalidity by the Federal court system or by the Office in a previous examination. For example, the same question of patentability may have already been decided by the Office where the examiner finds the additional (newly provided) prior art patents or printed publications are merely cumulative to similar prior art already fully considered by the Office in a previous examination of the claim.

M.P.E.P., *supra* note 1, § 2242, at 2200-53.

18. 4 DONALD S. CHISUM, CHISUM ON PATENTS § 11.07[4] (2005).

19. *Id.*

20. HERBERT F. SCHWARTZ, PATENT LAW AND PRACTICE 45 (4th ed. 2003).

21. *Id.* at 41.

declaratory judgment that a patent is invalid, unenforceable, or not infringed.<sup>22</sup>

During patent litigation, a patent is presumed valid.<sup>23</sup> Therefore, the burden rests on the challenger to demonstrate by clear and convincing evidence that the patent is invalid.<sup>24</sup> Given the presumption of validity, the court is not asked in an infringement suit to hold a patent valid, but instead to determine whether the patent is invalid.<sup>25</sup>

Courts find infringement where “someone (1) without authority (2) makes, uses, offers to sell, sells, or imports (3) the patented invention (4) within the United States, its territories, or its possessions (5) during the term of the patent.”<sup>26</sup> Where the above elements are satisfied, the alleged infringer may defend by arguing that the patent is invalid; an invalid patent cannot be infringed.<sup>27</sup> Absent a showing that the patent is invalid, if the elements of infringement are satisfied, the patent owner is entitled to a remedy in the form of an injunction or monetary damages.<sup>28</sup>

The third element of infringement—“the patented invention”—demonstrates the importance of claim construction. As the claims of a patent define what the invention is, claim construction is the first step in determining whether “the patented invention” has been infringed.<sup>29</sup>

#### D. Patent Claims

As discussed previously, a patent application must include a specification describing and precisely claiming the invention.<sup>30</sup> The

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22. *Id.* at 43–45; *see also* *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126–27 (2007) (discussing the procedure for obtaining a declaratory judgment action in federal court).

23. 35 U.S.C. § 282 (2006); SCHWARTZ, *supra* note 20, at 52.

24. SCHWARTZ, *supra* note 20, at 52 (citing *Oakley, Inc. v. Sunglass Hut Int’l*, 316 F.3d 1331, 1339 (Fed. Cir. 2003)) (other citations omitted). A patent will be held invalid if the alleged infringer demonstrates “that the patented invention does not meet one or more of the conditions of patentability” or “that the inventor did not satisfy one or more of the requirements of patentability.” *Id.* at 174.

25. *Id.* at 52–53 (citing *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1534 (Fed. Cir. 1983)).

26. *Id.* at 151–52 (citing 35 U.S.C. § 271).

27. *Id.* at 174.

28. *Id.* at 191–92.

29. *Id.* at 158–59.

30. *See supra* Part II.A.

issued patent contains the complete specification.<sup>31</sup> The specification must include “one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”<sup>32</sup> The purpose of the claim is to “mak[e] the patentee define precisely what his invention is.”<sup>33</sup> As such, the claims of the patent define the invention in order to determine initial patentability and infringement.<sup>34</sup> As the patent claims define the scope of the invention, a court must construe the claims during litigation in order to determine infringement and validity, and the PTO must construe the claims during examination or reexamination in order to determine patentability.<sup>35</sup>

#### *E. PTO Claim Construction During Patent Prosecution and Reexamination*

During patent prosecution before the PTO, claims in a pending patent application are given their “broadest reasonable interpretation consistent with the specification,”<sup>36</sup> as “it would be interpreted by one of ordinary skill in the art.”<sup>37</sup> Following this guideline, if the “specification provide[s] a sufficiently precise definition for a term, the inquiry should end right there.”<sup>38</sup> An examiner applies the same broadest reasonable interpretation standard during a reexamination

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31. 1 CHISUM, *supra* note 6, § OV-2.

32. 35 U.S.C. § 112 (2006); 3 CHISUM, *supra* note 6, § 8.01.

33. *White v. Dunbar*, 119 U.S. 47, 52 (1886).

34. 3 CHISUM, *supra* note 6, § 8.01.

35. *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510 (1917) (“The scope of every patent is limited to the invention described in the claims contained in it, read in the light of the specification. These so mark where the progress claimed by the patent begins and where it ends that they have been aptly likened to the description in a deed, which sets the bounds to the grant which it contains. It is to the claims of every patent, therefore, that (the courts) must turn when . . . seeking to determine what the invention is, the exclusive use of which is given to the inventor by the grant provided for by the statute,—‘He can claim nothing beyond them.’”) (citing *Keystone Bridge Co. v. Phx. Iron Co.*, 95 U.S. 274, 278 (1877); *R.R. Co. v. Mellon*, 104 U.S. 112, 118 (1881); *Yale Lock Mfg. Co. v. Greenleaf*, 117 U.S. 554, 559 (1886); *McClain v. Ortmayer*, 141 U.S. 419, 424 (1891)); 3 CHISUM, *supra* note 6, § 8.01.

36. M.P.E.P., *supra* note 1, § 2111, at 2100-37; Joel Miller, *Claim Construction at the PTO—The “Broadest Reasonable Interpretation. . .”*, 88 J. PAT. & TRADEMARK OFF. SOC’Y 279, 281 (2006) (citing *In re Hyatt*, 211 F.3d 1367, 1372 (Fed. Cir. 2000)).

37. *In re Sneed*, 710 F.2d 1544, 1548 (Fed. Cir. 1983); Miller, *supra* note 36, at 287.

38. Miller, *supra* note 36, at 282 (citing *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1478 (Fed. Cir. 1998)).



proceeding.<sup>39</sup> In fact, the same rule of construction applies when a patent applicant whose claim has been twice rejected, when a patent owner whose claim has received a final rejection in a reexamination proceeding, and when a third party whose claim has received a final decision in an *inter partes* proceeding appeals to the Board of Patent Appeals and Interferences (“the Board”).<sup>40</sup> If the applicant or third party is unsatisfied with the Board’s decision on appeal the Federal Circuit will review the construction de novo applying the same broadest reasonable interpretation standard.<sup>41</sup> Thus, throughout prosecution and reexamination, the claims will be “given their ‘broadest reasonable interpretation consistent with the specification’ and ‘consistent with the one that those skilled in the art would reach.’”<sup>42</sup>

#### F. Claim Construction During Patent Litigation

The *Markman* Court established that claim interpretation, or the determination “of what the words in the claim mean,”<sup>43</sup> is “a question of law, to be determined by the court.”<sup>44</sup> As such, during a *Markman* hearing, “courts must resolve *every* dispute over the scope of the patent claims as a matter of claim construction, issuing a written ruling that ‘interprets’ even simple patent claim terms that jurors can understand.”<sup>45</sup> During a *Markman* hearing, courts construe claims by starting with the plain meaning of the terms as a person having

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39. Miller, *supra* note 36, at 279 n.1 (citing *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984)).

40. 35 U.S.C. § 134 (2006); see *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1369 (Fed. Cir. 2004) (“[T]he Board is required to use a different standard for construing claims than that used by district courts. We have held that it is error for the Board to ‘appl[y] the mode of claim interpretation that is used by courts in litigation, when interpreting the claims of issued patents in connection with determinations of infringement and validity.’” (quoting *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989)) (second alteration in original)); see, e.g., Miller, *supra* note 36, at 291.

41. See *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998) (en banc).

42. Miller, *supra* note 36, at 291 (citations omitted).

43. *Markman v. Westview Instruments*, 517 U.S. 370, 374 (1996) (quoting HERBERT SCHWARTZ, PATENT LAW AND PRACTICE 80 (2d ed. 1995)) (original quotation marks omitted).

44. *Id.* at 384 (quoting *Winans v. Denmead*, 56 U.S. (15 How.) 330, 338 (1854)) (original quotation marks omitted).

45. Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Patent Claim Construction*, 157 U. PA. L. REV. 1743, 1751 (2009) (citing *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360–62 (Fed. Cir. 2008)) (emphasis in original).

ordinary skill in the art would understand them.<sup>46</sup> In addition, the Federal Circuit has set forth legal canons of claim interpretation<sup>47</sup> directing that the court may look at the patent's specification and its prosecution history, as well as technical treatises, dictionaries, and expert testimony.<sup>48</sup> Finally, where there is ambiguity as to the claim's meaning, the courts construe the claim narrowly rather than broadly.<sup>49</sup> Essentially, the court in a *Markman* hearing attempts to get the claim interpretation "correct,"<sup>50</sup> which often results in a narrower construction than would occur under the PTO's broadest reasonable interpretation standard.<sup>51</sup>

*G. Reexamination and Litigation  
Practice Including Litigation Stays*

The Patent Act states, "Any person at any time may file a request for reexamination by the [PTO] of any claim of a patent on the basis of any prior art . . . ."<sup>52</sup> As the statute indicates, "[a]ny person" may make a request for reexamination at "any time," including when the patent for which reexamination is requested is involved in a concurrent litigation proceeding.<sup>53</sup>

When someone files a reexamination request for a patent involved in concurrent litigation, a party to the litigation may request a litigation stay.<sup>54</sup> In determining whether to grant a litigation stay under these circumstances, courts generally look to three factors: "(1)

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46. Mark A. Lemley, *The Changing Meaning of Patent Claim Terms*, 104 MICH. L. REV. 101, 101–02 (2005).

47. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313–24 (Fed. Cir. 2005) (en banc) (setting forth the types of evidence a court may consider during claim construction).

48. *Burk & Lemley*, *supra* note 45, at 1750.

49. *Athletic Alts., Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996) (stating that when there is an equal choice between a broader and narrower meaning, the notice function of the claim is best served by adopting the narrower claim meaning); *Burk & Lemley*, *supra* note 45, at 1790.

50. CONCURRENT LITIGATION, *supra* note 3, at 19–20.

51. *Id.*

52. 35 U.S.C. § 302 (2006). The term "any prior art" in the statute was later limited by 37 C.F.R. 1.510(b)(1), which limits prior art that may raise a substantial new question of patentability to prior patents and printed publications.

53. M.P.E.P., *supra* note 1, § 2286.

54. 35 U.S.C. § 318; *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citations omitted) ("Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination."); *see* CONCURRENT LITIGATION, *supra* note 3, at 13.

whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.<sup>55</sup> If the preceding factors weigh in favor of a stay, the court may grant a litigation stay pending the conclusion of the reexamination proceeding.<sup>56</sup> In contrast, the PTO has no authority to stay a patent reexamination proceeding pending the outcome of a concurrent litigation proceeding.<sup>57</sup>

#### H. *The Current Relationship Between the PTO and Article III Courts*

Issue preclusion, or collateral estoppel, operates such that “[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.”<sup>58</sup> Currently, issue preclusion does not prevent a patent claim from being interpreted once by an Article III court in a *Markman* hearing and then again by the PTO during a subsequent or concurrent reexamination proceeding, as the PTO would not have been a party to the *Markman* hearing and would therefore not be bound by that proceeding’s order.<sup>59</sup> Since issue preclusion does not currently act as a bar to subsequent claim interpretation, the question then becomes whether an Article III court holding has any effect on a subsequent reexamination proceeding.

As discussed above, during a reexamination proceeding, claims are construed under the broadest reasonable interpretation standard, while a narrower standard is usually adopted in a *Markman* hearing. Given these differing standards, a *Markman* hearing’s claim

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55. CONCURRENT LITIGATION, *supra* note 3, at 13 (quoting *Soverain Software, L.L.C. v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005)).

56. *Ethicon*, 849 F.2d at 1426–27.

57. *Id.* at 1427 (reasoning that the PTO lacked the authority to stay reexaminations pending the conclusion of litigation on the basis that Congress commands the PTO to conduct reexaminations with special dispatch, and makes no mention of stays).

58. RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982).

59. In a reexamination proceeding, the parties to the dispute are the patent owner and the PTO, where in a litigation proceeding the parties to the dispute are the patent owner and the party arguing against patent validity. See *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1298 (Fed. Cir. 2007).

interpretation does not have preclusive effect on the PTO's claim construction in a subsequent reexamination proceeding.<sup>60</sup> In fact, current practice dictates that the PTO—after construing claims using the broadest reasonable interpretation standard—can invalidate a patent claim that an Article III court previously held was not invalid over the same prior art.<sup>61</sup> However, a final holding of claim invalidity is binding on the PTO in a subsequent reexamination proceeding.<sup>62</sup> What is troubling about this scenario is not that a claim that an Article III court held was not invalid can later be held invalid in a reexamination proceeding—in fact, this corresponds with the PTO policy of continually ensuring patents' validity—but that the PTO and Article III courts may, and likely will, interpret a patent claim differently. Thus, even while a patent owner is forced to argue for the validity of a broad claim before the PTO, he can only enforce the narrow claim interpretation determined by an Article III court.<sup>63</sup>

If, during a reexamination proceeding, substantive amendments are made to a patent's claims, past damage awards for infringement may be defeated under the doctrine of intervening rights.<sup>64</sup> Similarly, if the patent claims for which damages were assessed are held invalid, past damage awards may be canceled.<sup>65</sup>

### III. CRITIQUE OF EXISTING LAW

#### A. *Dichotomy Approach to Claim Interpretation Reaches an Inequitable Result*

To implement a form of issue preclusion in patent claim interpretation, the PTO must abandon the broadest reasonable interpretation standard in the limited context of reexamination

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60. CONCURRENT LITIGATION, *supra* note 3, at 19.

61. *Id.* at 20. See generally *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008) (holding that a prior judgment by an Article III court upholding the validity of a claim was not a bar to the PTO, as an executive agency, from finding a substantial new question of patentability regarding an issue that had not previously been considered by the PTO).

62. However, a non-final holding of invalidity is not binding on the PTO. CONCURRENT LITIGATION, *supra* note 3, at 20.

63. See Dawn-Marie Bey & Christopher A. Cotropia, *The Unreasonableness of the Patent Office's "Broadest Reasonable Interpretation" Standard*, 37 AIPLA Q.J. 285, 295–96 (2009).

64. CONCURRENT LITIGATION, *supra* note 3, at 15 (citing 35 U.S.C. §§ 252, 307(b), 316(b) (2006)).

65. See *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 F. App'x 988 (Fed. Cir. 2007) (unpublished decision).

proceedings of patents that have previously been interpreted during a *Markman* hearing.

The dichotomy approach to claim interpretation “necessarily means that the scope of a claim . . . at issuance [could be different] from the scope determined during enforcement, which would establish different ‘inventions’ for the same claim.”<sup>66</sup> As stated above, this creates a situation in which a patent applicant, throughout prosecution, must avoid subject matter that will not later be considered infringing subject matter in an enforcement proceeding.<sup>67</sup> Simply put, it seems inappropriate for a patent owner to patent a broad invention but only be able to enforce a narrow invention.<sup>68</sup>

The Federal Circuit’s decision in *In re Trans Texas Holdings Corp.*<sup>69</sup> (*Trans Texas*) highlighted this problem. In *Trans Texas*, the district court’s *Markman* hearing construed “‘responsive to the rate of inflation’ to mean ‘directly responsive to a market indicator of prior actual inflation and is not meant to include the market’s expectation of future inflation,’” thereby requiring a “continuous, one-to-one correlation with inflation rate.”<sup>70</sup> At the conclusion of claim construction, the parties reached a settlement, at which point *Trans Texas* filed a request for reexamination.<sup>71</sup> In the subsequent reexamination proceeding, the PTO found, under the broadest reasonable interpretation standard, that “the term ‘responsive to the rate of inflation’ (and related terms) [was] not limited to a continuous, one-to-one relationship but also includes a delayed relationship, in which adjustments are made in 1 percent increments.”<sup>72</sup> Under the PTO’s claim interpretation, *Trans Texas*’s claims were held obvious over prior art.<sup>73</sup> Despite *Trans Texas*’s argument that the district court’s claim interpretation bound the PTO,<sup>74</sup> the Federal Circuit held that this outcome was appropriate as issue preclusion was not applicable since the PTO had not been a

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66. *Bey & Cotropia*, *supra* note 63, at 295–96 (arguing for the abandonment of the “broadest reasonable interpretation” standard throughout patent prosecution and enforcement).

67. *Id.* at 306.

68. *See id.* at 303–04; *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997).

69. *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007).

70. *Id.* at 1296 (citations omitted).

71. *Id.* at 1294–95.

72. *Id.* at 1299.

73. *See id.*

74. *Id.* at 1294.

party to the earlier action.<sup>75</sup> Therefore, the PTO—and the Board when the PTO’s decision was appealed—was not bound by the district court’s claim construction.<sup>76</sup>

Similarly, the Federal Circuit held that an invalidity determination in a reexamination proceeding trumped a district court’s finding of validity when both were simultaneously available for appeal.<sup>77</sup> In *In re Translogic Technology, Inc.*<sup>78</sup> (*Translogic*), the district court entered a final judgment against Hitachi for infringing Translogic’s patent.<sup>79</sup> Prior to the district court’s judgment, Hitachi filed a request for reexamination of Translogic’s patent.<sup>80</sup> Upon reexamination, the PTO rejected Translogic’s claims because they were obvious at the time of invention.<sup>81</sup> Absent a valid patent, Hitachi could not be held liable for infringement; accordingly, the Federal Circuit vacated the district court’s decision and remanded the case for dismissal.<sup>82</sup>

*Trans Texas*<sup>83</sup> and *Translogic*<sup>84</sup> illuminate the horizontal inequity that the dichotomy approach to claim interpretation creates.<sup>85</sup> The PTO’s application of the broadest reasonable interpretation standard creates a scenario where “[t]he same claims have different meanings depending on the venue of the court interpreting them.”<sup>86</sup> Essentially, this inequity creates two different inventions—one that the patent holder must argue is valid and one that the patent holder is entitled to enforce.<sup>87</sup>

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75. *Id.* at 1297.

76. *Id.* at 1301 (“We conclude that the Board was not bound by the district court’s claim construction and properly construed the term ‘responsive to the rate of inflation’ and related terms.”).

77. Dutra, *supra* note 3, at 195; see *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1251 (Fed. Cir. 2007).

78. 504 F.3d 1249.

79. *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 F. App’x 988, 988 (Fed. Cir. 2007) (unpublished decision).

80. *In re Translogic Tech.*, 504 F.3d at 1251.

81. *Id.*

82. *Translogic Tech.*, 250 F. App’x at 988.

83. *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007).

84. *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007).

85. See Bey & Cotropia, *supra* note 63, at 312.

86. *Id.*

87. See *id.* at 311–12.

*B. The Broadest Reasonable Interpretation Standard  
Is Fundamentally Flawed*

In addition to the inequity created by the dichotomy approach to claim interpretation, the broadest reasonable interpretation standard is itself flawed. The standard has traditionally been justified on the basis that “[g]iving claims their broadest reasonable construction ‘serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified.’”<sup>88</sup> Essentially, the standard prevents a false finding of patentability based on a narrow claim interpretation when later litigation may result in a broader claim interpretation that is not patentable based on the prior art.<sup>89</sup> This justification does not apply in the limited context of reexamination of a claim previously construed during a *Markman* hearing, as the infringed claim’s patentability was previously determined under the broadest reasonable interpretation standard.

Additionally, the broadest reasonable interpretation standard has been justified on the basis that claims may be amended during prosecution and reexamination.<sup>90</sup> Thus, an applicant dissatisfied with the PTO’s broad interpretation may correct the interpretation by amending the claim’s language.<sup>91</sup> Finally, the broadest reasonable interpretation standard has been justified on the basis that patent applications—unlike issued patents—do not enjoy a presumption of validity.<sup>92</sup> Upon rejection of a patent claim by the PTO, an applicant must demonstrate patentability by clarifying the claim meaning.<sup>93</sup> In doing so, a prosecution history is created that more clearly places the public on notice of the patented invention’s scope.<sup>94</sup>

Despite its justifications the broadest reasonable interpretation standard is fundamentally flawed.<sup>95</sup> In applying the broadest reasonable interpretation standard, “[t]he PTO doesn’t engage in claim construction”;<sup>96</sup> therefore, examiners avoid tough claim

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88. *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004) (quoting *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984)); *Bey & Cotropia*, *supra* note 63, at 291.

89. *See Bey & Cotropia*, *supra* note 63, at 291–92.

90. *Id.* at 292–93.

91. *Id.*

92. *Id.* at 293.

93. *Id.*

94. *Id.*

95. *Id.* at 294.

96. Lemley, *supra* note 46, at 117.

interpretation issues by only requiring the adoption of “reasonable” claim interpretations instead of “correct” claim interpretations.<sup>97</sup> This in turn robs the public of a prosecution history that contains discussions of claim meaning, which could be used during litigation.<sup>98</sup> The confusion resulting from the broadest reasonable interpretation standard is furthered by the lack of any metric to determine whether a resulting interpretation under the standard is in fact reasonable.<sup>99</sup> These issues lead to the conclusion that the broadest reasonable interpretation standard itself is flawed and should therefore be eliminated, not only when reexamining previously litigated patents but perhaps entirely.<sup>100</sup>

#### IV. PROPOSAL

##### A. Necessary Changes to Extend Issue Preclusion

To address the inequities of the dichotomy approach to claim interpretation and the practice of allowing an infringer two opportunities to invalidate an infringed patent, I propose that—as a form of issue preclusion—the *Markman* hearing claim interpretation should be binding on the PTO during reexamination of a previously litigated patent. For this to happen, three changes to current patent practice must occur. First, the Federal Circuit must overrule *Trans Texas*<sup>101</sup> and expand the term “party” to include the PTO<sup>102</sup> (which

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97. *Bey & Cotropia*, *supra* note 63, at 300.

98. *Id.*

99. *Id.* at 318.

100. *See generally id.* (arguing for the elimination of the broadest reasonable interpretation standard on the basis that (1) it is inconsistent with patent statutes; (2) it is contrary to the unitary appellate structure of the patent system; (3) it allows examiners and the Federal Circuit to skirt tough claim interpretation issues; (4) it results in improper denial of patent protection; (5) it forces costly amending of patent claims; and (6) it is fatally ambiguous).

101. *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007).

102. The Federal Circuit in *Trans Texas*, in declining to apply issue preclusion to the PTO as a non-party to the first action, noted that doing so in the case of an individual may violate the Due Process Clause. “In fact, the Supreme Court has specifically held that ‘litigants . . . who never appeared in a prior action[] may not be collaterally estopped without litigating the issue. . . . Due process prohibits estopping them despite one or more existing adjudications of the identical issue which stand squarely against their position.’” *Id.* at 1297 (quoting *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971)). The Federal Circuit then noted that while the protections of the Due Process Clause do not apply to the government, “the procedural protections afforded to private parties in the res judicata and collateral estoppel context also apply to the government.” *Id.* at 1297 n.6; *see United States v. Stauffer Chem. Co.*, 464 U.S. 165, 170 (1984). My proposal assumes that the Supreme Court could extend the doctrine of privity to



essentially acts as the representative of the individual who filed the reexamination request and was a party to the litigation), such that issue preclusion may apply to claim interpretation. Second, the Federal Circuit must eliminate the broadest reasonable interpretation standard as applied to the reexamination of previously litigated patents. Finally, Article III courts must deny requests for litigation stays for the purpose of reexamination proceedings.

*B. Effect of Proposal on Reexamination of a Previously or Concurrently Litigated Patent*

If my proposed changes are adopted, an alleged infringer unsatisfied with the results of a *Markman* hearing could still file a reexamination request. However, a request for a litigation stay for the purpose of the reexamination would be denied. As such the litigation proceeding would continue until the district court enters its decision regarding infringement, and the claim construction determined during the *Markman* hearing would be binding on the PTO under the principle of “law of the case.”<sup>103</sup> Finally, following a Federal Circuit appellate decision—and perhaps even a Supreme Court decision—the claim construction would be considered final and therefore binding on the PTO under the doctrine of issue preclusion.

V. JUSTIFICATION FOR EXTENDING ISSUE PRECLUSION TO ARTICLE III COURTS’ CLAIM INTERPRETATION AS DETERMINED BY A *MARKMAN* HEARING

*A. Similarity Between Issue Preclusion and Other Preclusive Doctrines Currently Applied in Patent Practice*

Extending issue preclusion to a *Markman* hearing’s claim construction is consistent with other preclusive doctrines applied in patent practice. This includes Article III courts’ treatment of a

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include the PTO such that the Due Process Clause and the procedural protections afforded to the government are not implicated. A complete analysis of this issue is outside the scope of this Note.

103. 5 AM. JUR. 2D *Appellate Review* § 566 (2007) (“The doctrine of the law of the case generally prohibits reconsideration of issues which have been decided by the same court, or a higher court, in a prior appeal in the same case. Provided that there was a hearing on the merits and that there have been no material changes in the facts since the prior appeal, such issues may not be relitigated in the trial court or reexamined in a second appeal. In short, issues decided in earlier appellate stages of the same litigation should not be reopened, except by a higher court, absent some significant change in circumstances.”).

patent's prosecution history regarding disclaimers,<sup>104</sup> a disclaimer's effect on a subsequent reissue patent,<sup>105</sup> an amendment's effect on a patentee's use of the doctrine of equivalents,<sup>106</sup> and Article III courts' rejection of inconsistent claim interpretation when arguing patent validity and infringement.<sup>107</sup>

A patent owner in litigation may not argue for a claim interpretation covering subject matter that was previously disclaimed as indicated in the patent's prosecution history.<sup>108</sup> "[T]he prosecution history limits the interpretation of claim terms so as to exclude any interpretation that was disclaimed during prosecution."<sup>109</sup> By doing so, the prosecution history places the public on notice of what the terms of the patent mean. A patent's litigation history would serve the same function if the claim construction determined during a *Markman* hearing were binding on the PTO in a subsequent and concurrent reexamination proceeding.

Similarly, the Federal Circuit held that a reissue<sup>110</sup> application filed more than two years after the grant of the original patent is bound by the remaining patent claims after a disclaimer<sup>111</sup> is filed.<sup>112</sup>

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104. *Rheox Inc. v. Entact Inc.*, 276 F.3d 1319, 1327 (Fed. Cir. 2002).

105. *Vectra Fitness, Inc. v. TNWK Corp.*, 162 F.3d 1379, 1384 (Fed. Cir. 1998).

106. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002). Under the doctrine of equivalents a patentee may demonstrate infringement despite a lack of literal infringement—where the accused device falls within the textual scope of the patent claim—by demonstrating that the differences between the accused device and claimed invention are insubstantial. Lee Petherbridge, *On the Development of Patent Law*, 43 LOY. L.A. L. REV. 893, 920 (2010).

107. See Lemley, *supra* note 46, at 110.

108. *Rheox*, 276 F.3d at 1327.

109. *Id.* (quoting *Southwall Techs., Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1576 (Fed. Cir. 1995)).

110. SCHWARTZ, *supra* note 20, at 34 ("Section 251, 35 U.S.C., provides that a patent may be reissued by the PTO, upon surrender of the original patent, if the patent is 'through error without any deceptive intention, deemed wholly or partly inoperative or invalid.' . . . Claims may be broadened in a reissue application if the application is filed within two years of issuance of the patent. . . . After two years, a reissue application may be made only to narrow claims or to leave their scope unchanged. . . . A reissue application must claim the same general invention as the original patent and cannot be used to recapture subject matter initially given up in order to convince the examiner to grant the original patent.")

111. *Id.* at 32–33 ("A patent owner may disclaim or dedicate to the public the entire term of an entire patent (all claims of a patent), the entire term of any complete claim (but not only part of a claim), or the terminal part of the term (that portion of the term beyond a certain date) of the entire patent (but not the terminal part of the term of only some of the claims of a patent).") (footnote omitted).

112. *Vectra Fitness, Inc. v. TNWK Corp.*, 162 F.3d 1379, 1384 (Fed. Cir. 1998).

Essentially, if a party disclaimed a patent claim, it “effectively eliminated those claims from the original patent.”<sup>113</sup> In coming to its decision in *Vectra Fitness, Inc. v. TNWK Corp.*,<sup>114</sup> the Federal Circuit referred to the public’s reliance interest in the scope of claims.<sup>115</sup> This same rationale extends to the public’s reliance on claim construction as determined during a *Markman* hearing. In the same way that public policy is promoted through the public’s ability to look only to non-disclaimed claims in the original patent to determine the patent’s scope, public policy is also promoted through the public’s ability to look at a patent’s litigation history to determine the meaning of the patent’s claims.

Further, there is a rebuttable presumption that a patentee surrenders equivalents between an original claim and an amended claim through a form of prosecution history estoppel if an amendment is aimed at satisfying the patentability requirements.<sup>116</sup> The presumption is overcome if the patentee demonstrates that “at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent.”<sup>117</sup>

Finally, extending the doctrine of issue preclusion to claim construction is consistent with Article III courts’ rejection of inconsistent claim interpretation when arguing patent validity and infringement. Patent law dictates that claims are to be construed consistently.<sup>118</sup> As such, Article III courts have rejected patent owners’ and accused infringers’ attempts to construct claims differently for the purposes of determining validity and infringement.<sup>119</sup> One basis for denying a patent owner the ability to argue a broad claim meaning in determining infringement and a

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113. *Id.* at 1383.

114. 162 F.3d 1379 (Fed. Cir. 1998).

115. “The public is entitled to rely upon the public record of a patent in determining the scope of the patent’s claims. This reliance enables businesses, as well as others, to plan their future conduct in as certain an environment as possible.” *Id.* at 1384 (citations omitted).

116. *Petherbridge*, *supra* note 106, at 924 (citing *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 741 (2002)).

117. *Festo Corp.*, 535 U.S. at 741.

118. Lemley, *supra* note 46, at 110.

119. *Id.*

narrow claim meaning in determining validity<sup>120</sup>—or vice versa in the case of an alleged infringer<sup>121</sup>—is that consistent claim construction better serves competitors’ and the entire public’s reliance interest in determining patents’ scope and validity.<sup>122</sup> Preventing inconsistent claim construction by the PTO and Article III courts during prosecution, reexamination, and litigation certainly better promotes the public’s reliance interest than the current regime.

Consistency in claim construction through issue preclusion is consistent with the general policy of promoting public reliance on the scope of patent claims. Thus, the term “party” should be expanded to include the PTO, the broadest reasonable interpretation standard during reexamination of previously litigated patents should be abandoned, and requests for litigation stays for the purpose of reexamination should be denied such that issue preclusion may apply.

*B. Why Issue Preclusion Is Preferable  
to Chevron<sup>123</sup> Deference*

Eliminating the broadest reasonable interpretation standard during reexamination of previously litigated patents would result in consistent claim construction within the PTO and Article III courts. This raises the question of why Article III courts should not defer to the PTO’s interpretation pursuant to deference under *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*<sup>124</sup> (*Chevron*).

The *Chevron* framework was recently applied in a case where the Federal Communications Commission (FCC) decided that “telecommunications services” within the Communications Act did

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120. *Id.* (“Patent owners would like their patent claims to be construed broadly in infringement proceedings, so that they cover defendants’ products, but would generally like their claims to be construed narrowly when it comes to validity, to avoid the risk of either treading on the prior art or claiming more than the patentee has enabled or described.”).

121. Accused infringers prefer that patent claims be construed narrowly in the case of infringement so that the patent does not cover their product and construed broadly in the case of determining validity, increasing the likelihood that the legal requirements of patentability are not satisfied. *Id.*

122. *Id.* at 113.

123. *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

124. 467 U.S. 837 (1984). “*Chevron* deference” dictates that where an agency has interpreted a statute prior to litigation, the courts shall defer to the agency’s interpretation if Congress has not spoken directly to the question at issue and the agency’s interpretation is not “arbitrary, capricious, or manifestly contrary to the statute.” *Id.* at 843–44.

not include broadband internet,<sup>125</sup> despite a prior judicial decision to the contrary.<sup>126</sup> The Court upheld the agency's interpretation on the basis that a prior judicial construction of a statute trumps an agency construction that would otherwise be entitled to deference "only if the prior court decision holds that its construction follows from the unambiguous terms of the statute and thus leaves no room for agency discretion."<sup>127</sup>

In claim construction, where the terms of the claim are almost always ambiguous, it appears that *National Cable & Telecommunications Ass'n v. Brand X Internet Services*<sup>128</sup> and *Chevron* would require that subsequent PTO claim construction during a reexamination proceeding trump a prior judicial decision regarding claim construction. However, the relationship between the PTO and Article III courts, especially the Federal Circuit, can be distinguished from the standard relationship between agencies and courts in many respects, which leads to the conclusion that deference to the PTO regarding claim construction is inappropriate.

In the case of the FCC, Congress has delegated the power to "execute and enforce" and to "prescribe such rules and regulations as may be necessary in the public interest to carry out the provisions" of the Act,<sup>129</sup> thus giving the FCC power to promulgate "binding legal rules."<sup>130</sup> Conversely, Congress has not delegated substantive rule-making authority to the PTO.<sup>131</sup> Given the PTO's lack of substantive rule-making authority, "*Chevron* does not apply."<sup>132</sup>

In addition, limitations regarding the PTO's access to prior art and the ex parte nature of reexamination further illuminate that deference is inappropriate. First, the PTO's claim construction is largely the product of incomplete information. While agencies are generally "better equipped" than courts,<sup>133</sup> this is not the case in

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125. *Nat'l Cable & Telecomm. Ass'n v. Brand X Internet Servs.*, 545 U.S. 967, 974 (2005).

126. *AT&T Corp. v. City of Portland*, 216 F.3d 871 (9th Cir. 2000).

127. *Brand X Internet Servs.*, 545 U.S. at 982.

128. 545 U.S. 967 (2005).

129. *Id.* at 980 (citation omitted).

130. *Id.* at 981.

131. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996) (citing *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991)).

132. *Id.*

133. *Brand X Internet Servs.*, 545 U.S. at 980 (citing *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 865-66 (1984)).

regards to claim construction and the PTO. Courts recognize prior art as a valuable claim-construction tool,<sup>134</sup> as it “gives clues as to what the claims do not cover”<sup>135</sup> and may “demonstrate how a disputed term is used by those skilled in the art.”<sup>136</sup> As such, the PTO’s limited access to prior art, due to cost and time limitations, results in claim constructions based on incomplete information.<sup>137</sup> This issue is exaggerated further in reexamination proceedings where the prior art that may be considered is limited to patents and printed publications.<sup>138</sup>

Second, PTO claim construction is largely *ex parte* in nature.<sup>139</sup> As interested third parties are largely prevented from partaking in claim construction during reexamination proceedings, it is inappropriate to grant deference to the PTO’s claim constructions resulting from such proceedings.<sup>140</sup>

In contrast, during patent litigation, “lawyers and technical experts will spend hundreds and perhaps even thousands of hours searching for and reading prior art.”<sup>141</sup> Also, prior art in litigation is not limited in scope to patents and printed publications.<sup>142</sup> Greater access to prior art gives the judge greater guidance in claim construction during a *Markman* hearing.<sup>143</sup> In addition, patent litigation is adversarial in nature, thus granting interested third parties the opportunity to partake in claim construction.<sup>144</sup>

It is inappropriate to give deference to the PTO’s claim interpretation given the PTO’s lack of access to prior art based on cost and time limitations, the narrow scope of prior art that the PTO may consider during a reexamination proceeding, and the limited opportunity of interested third parties to be involved in claim

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134. Thomas Chen, *Patent Claim Construction: An Appeal for Chevron Deference*, 94 VA. L. REV. 1165, 1189 (2008).

135. *Id.* (quoting *Autogiro Co. of Am. v. United States*, 384 F.2d 391, 399 (Ct. Cl. 1967)).

136. *Id.* (quoting *Vitronics Corp. v. Conceptor, Inc.*, 90 F.3d 1576, 1584 (Fed. Cir. 1996)).

137. *See id.* at 1190.

138. *Id.*

139. *Id.*

140. *Id.*

141. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1502 (2001).

142. Chen, *supra* note 134, at 1190.

143. *See id.*

144. *Id.*

construction during reexamination.<sup>145</sup> As such, extending issue preclusion to claim construction determined during a *Markman* hearing is the preferable method for mandating consistent claim interpretation within the PTO and Article III courts—at least in the limited context of reexamination of previously litigated patents.

## VI. CONCLUSION

The current dichotomy approach to claim interpretation results in inequity as a patent applicant must argue patentability of a broad claim within the PTO while, as a patentee, the applicant may only be able to enforce a narrow claim through litigation. On the other hand, an alleged infringer is given two opportunities to invalidate the infringed patent; an infringer dissatisfied with the results of a *Markman* hearing may still file a reexamination request where claim construction will be dictated by the PTO's broadest reasonable interpretation standard. This horizontal inequity can be eliminated by applying issue preclusion to the claim construction determined during a *Markman* hearing such that the Article III court's determination of claim meaning has a preclusive effect over concurrent and subsequent PTO reexamination of previously litigated patents—by extending the term “party” to include the PTO, eliminating the broadest reasonable interpretation standard during reexaminations of previously litigated patents, and denying requests for litigation stays for the purpose of reexamination. Further, extending issue preclusion to claim construction during reexamination of previously litigated patents will better serve the public by providing a patent litigation history that conclusively states what the terms of the patent mean, thus clarifying what the “patented invention” is.

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145. *Id.*