

Does Interthinx, Inc. v. Corelogic Solutions, LLC Break New Legal Ground?

By Rick Neifeld, Neifeld IP Law, PC¹

In Interthinx, Inc. v. Corelogic Solutions, LLC, CBM2012-00007, paper 58 (PTAB 1/30/2014)(Opinion by APJ McNamara, for a panel consisting of APJs Tierney, Chang, and McNamara), the Board entered a final decision holding claims 1, 6, 9, and 10 of patent 5,361,201 to be unpatentable *inter alia* under 35 USC 101. This decision raised two issues worth mentioning.

The first legal issue had to do with *res judicata* and collateral estoppel resulting from a final judgment of a District Court. This issue breaks no new legal ground, but is illustrative. There was a preexisting District Court judgment on the subject patent that was final as of the date of the final decision in the CBM proceeding; the subject patent had expired; and the Board had adopted the claim construction of the District Court in the CBM proceeding. Finally, the District Court had denied SJ and JMOL motions that the patent was invalid under 35 USC 101.

In the CBM proceeding, the patentee (Corelogic) argued that *res judicata* and collateral estoppel precluded the Board from deciding whether challenged claims were invalid for noncompliance with 35 USC 101. However, the Board concluded otherwise. Specifically, the Board concluded that "the issue decided by the Board is not identical to the one decided or litigated in the first [sic; the District Court] action." The basis for the Board's reasoning was that, while the "District Court ... applied the clear and convincing evidence standard to the facts underlying its determination of law ..., the Board reviews the patentability of a claim, rather than its validity, and applies a preponderance of the evidence standard to the underlying factual determinations, e.g., whether the claims contain limitations that narrow or tie them to specific applications of an otherwise abstract concept. 35 U.S.C. § 326(e); Ultramercial, 722 F.3d at 1339." Because there was a difference in the standard applied to factual determinations the "Petitioner did not have an opportunity to litigate the issue" at this lower level of preponderance of the evidence in the District Court case. Since the Board concluded that the issues differed, the Board concluded there was no estoppel. Of course, the Board's conclusion depended upon the burden of proof for underlying factual determinations being lower in the CBM proceeding than in the District Court proceeding, which leads us to the second issue.²

The second issue deals with the burden of proof in claim construction applicable to claims of an expired patent in USPTO post grant review proceedings. A doctrine underlying USPTO claim construction for claims in expired patents is that, because an expired patent's claims cannot be amended, "a patent claim [construction for a claim in an expired patent is one] that will render it valid, i.e., a narrow construction, over a broad construction that would render it invalid." Ex parte Papst-Motoren, 1 USPQ2d 1655, 1655-56 (BPAI 1986)(expanded panel). The CAFC blessed the Papst-Motoren doctrine in In re Rambus, Inc., 694 F.3d 42, 46 (Fed. Cir. 2012), where it stated that "the Board's review of the claims of an expired patent is similar to that of a district court's review," citing Papst-Motoren. However, that blessing was in the context of review of expired patents in reexamination proceedings. However, the Board noted the Papst-Motoren doctrine in an IPR last year, when it stated that "The Papst-Motoren language with regard to the construction of a patent claim" applies when the claim remains ambiguous after all other tools of claim construction had been applied. Universal Remote Control, Inc. v.

Universal Electronics, Inc., Paper 13, IPR2013-00127 (PTAB 7/16/2013)(Opinion by APJ Blankenship, for a panel consisting of APJs Blankenship, Medley, and Boalick). That reference to the Papst-Motoren doctrine in a post grant review proceeding decision suggests that the Papst-Motoren doctrine is applicable to post grant review proceedings. That is per se of significant interest.

However, the Interthinx, Inc. v. Corelogic Solutions, LLC indicates that the Papst-Motoren doctrine does not affect the burden of proof. In defending its patent, Corelogic argued that since its patent was expired, analogizing from Papst-Motoren, that the clear and convincing standard for proof of a proposition should apply in the CBM proceeding. If the Board had agreed with Corelogic's argument, then perhaps the Board would have applied *res judicata* and collateral estoppel. However, the Board would have none of it, stating that:

Patent Owner argues that, because the '201 Patent is expired and cannot be amended, the Board should apply the higher clear and convincing evidence standard applied by the District Court. PO Resp. 79. However, the statute does not provide an exception for expired patents. 35 U.S.C. § 326(e).

In fact, the Board is correct that 35 USC 326(e) does specify the petitioner's burden of proving a proposition is "preponderance of the evidence" in a PGR proceeding and by law and rule extension in a CBM proceeding.³ Likewise, 35 USC 316(e) provides the same burden of proof in IPR proceedings. Whether this broke new legal ground or not, at least the Board's position on burden of proof in expired patents for PGRs, CBMs, and IPRs, is now clear.

¹ I can be reached via telephone at 1-703-415-0012 or via the firm website: Neifeld.com. My thanks to Daniel Sachs and Bruce Margulies for helpful comments.

² This conclusion follows precedent standing for the proposition that PTAB decisions adverse to patentability can have preclusive effect in subsequent Court actions because of the lower burden of proof in the PTAB proceeding. Cf. **Error! Main Document Only.**Streck, Inc. v. Research & Diagnostic Systems, Inc., 665 F. 3d 1269, 1292, 101 USPQ2d 1225, 1240 (Fed. Cir. 2011) and **Error! Main Document Only.**Coakwell v. United States, 155 Ct. Cl. 193, 292 F.2d 918, 198 USPQ 130 (1961). However, court decision not adverse to validity generally do not have preclusive effect in the PTO due to the lower burden of proof in the PTO. Cf. **Error! Main Document Only.**Ex Parte Baxter International, Inc., No. 2009-006493 (BPAI 3/18/2010)(expanded panel, informative opinion) **Error! Main Document Only.**

³ Sec. 18(a)(1) of the America Invents Act, **Error! Main Document Only.**Public Law 112-29, **Error! Main Document Only.**125 Stat. 284, as amended by **Error! Main Document Only.**Public Law 112-274, provides that CBM proceedings "shall employ the standards and procedures" of PGR proceedings and 37 CFR 42.300 subjects CBM proceedings to the rule provisions for PGRs which includes the institution burden of "more likely than not" in 42.207(c).