

Procter & Gamble Co. v. Kraft Food Global, Inc.

No. 08-1105, Fed. Cir. (Bryson, Gajarsa,* Dyk)

[A] stay should ordinarily not be granted unless there is a substantial patentability issue raised in the inter partes reexamination proceeding [and] both a preliminary injunction and a stay ordinarily should not be granted at the same time.

On December 5, 2008, the Federal Circuit vacated and remanded the district court's order that stayed the case pending inter partes reexamination of U.S. Patent No. 7,169,418, which related to a plastic container for marketing and storing ground roast coffee, and effectively denied P&G's motion for a preliminary injunction. The Federal Circuit stated:

“A decision to grant or deny a preliminary injunction is within the sound discretion of the district court, based upon its assessment of four factors: (1) the likelihood of the patentee's success on the merits; (2) irreparable harm if the injunction is not granted; (3) the balance of hardships between the parties; and (4) the public interest.” In this case, the district court expressly refused to consider the first three factors. First, the court stated that it could not evaluate P&G's likelihood of success without first construing the claims. Second, the court refused to consider arguments regarding irreparable harm and the balance of hardships, stating that such arguments were relevant only to the preliminary injunction motion and would be considered only if the stay was not granted. We therefore conclude that the district court abused its discretion by issuing the stay, thereby effecting a denial of P&G's preliminary injunction motion, without balancing the four factors.

[O]n remand, the district court should consider the current posture of the inter partes reexamination proceedings at the PTO when evaluating P&G's likelihood of success on the merits. To the extent that Kraft would challenge the validity of the claims of the '418 patent in the district court on the same bases it raised in the reexamination, the examiner's confirmation of the patentability of every claim in the '418 patent may be relevant to P&G's likelihood of success. We would, however, caution the court that the PTO does not appear to equate the “substantial new question of patentability” standard for whether reexamination should take place, with the “substantial question of validity” standard by which a defendant may prevent a patentee from demonstrating a likelihood of success on the merits. In particular, the PTO considers the standard for reexamination met when “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.” “Thus, ‘a substantial new question of patentability’ as to a patent claim could be present even if the examiner would not necessarily reject the claim as either anticipated by, or obvious in view of, the prior art patents or printed publications.” As this court has observed, a requestor's burden to show that a reexamination order should issue from the PTO is unrelated to a defendant's burden to prove invalidity by clear and convincing evidence at trial. Additionally, we note that, on remand, the district court's consideration of the four factors may require it to interpret the claims, which are presently under review by

the PTO. The district court should monitor the proceedings before the PTO to ascertain whether its construction of any of the claims has been impacted by further action at the PTO or any subsequent proceedings. . . .

P&G argues that the district court's stay order violated 35 U.S.C. § 318 [stating] that the statute only authorizes a stay upon request of the patentee and, therefore, that the court lacked the authority to stay the case on Kraft's (the accused infringer's) request. The district court rejected this argument, reasoning that "[a]lthough true that § 318 does not expressly provide for an automatic stay of parallel district court proceedings, the statute in no way impacts the inherent powers of the court to control the litigation before it, and to grant a stay in the interests of justice when so required." We agree [that] § 318 must be read as enabling a patentee to obtain a stay of district court proceedings more readily than it could otherwise when its patent is subjected to inter partes reexamination by the PTO. A holding to the contrary would rest on a conclusion that Congress intended to strip district courts of the full scope of their inherent power with no mention of that effect. Thus, when an order granting inter partes reexamination issues, a patentee may move for a stay under § 318, but the defendant may nevertheless seek a stay under the district court's inherent power.

With regard to whether the district court properly granted the stay in this case, our conclusion necessarily follows that which we made regarding the preliminary injunction. Accordingly, we vacate the stay and remand to the district court for a determination on the merits of P&G's request for a preliminary injunction. Upon completing that determination, including such underlying proceedings (e.g., claim construction) as are necessary, the district court of course remains free to exercise its discretion and stay this case pending reexamination should either party so move.

[T]he district court ordinarily should not grant both a preliminary injunction and a stay. A preliminary injunction should not be granted if there is a substantial issue of patent validity. Similarly, a stay should ordinarily not be granted unless there is a substantial patentability issue raised in the inter partes reexamination proceeding. Thus, both a preliminary injunction and a stay ordinarily should not be granted at the same time. A grant of a preliminary injunction followed by a stay of the district court proceedings could subject an accused infringer to unfair and undesirable delay in reaching a final resolution.

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