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Proof that the Claimed Invention Worked Is Required for Reduction to Practice

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In reviewing a district court action under 35 USC § 146 subsequent to an interference decision of the **Board of Patent Appeals and Interferences (Board)**, the U.S. Court of Appeals for the Federal Circuit concluded that the district court may take new evidence and determine priority *de novo*.The Court also found that evidence showing reduction to practice of the invention must include a showing that the invention worked for its intended purpose. ***Streck Inc. v. Research & Diagnostics Systems Inc.*,** Case No. 11-1045 (Fed. Cir., Oct. 20, 2011) (Newman, J.).

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The technology at issue relates to “control compositions” that are used to ensure the accuracy of blood analysis instruments.Both Streck and Research & Diagnostics Systems (R&D) make such control compositions.

Streck sued R&D for infringement of three patents.R&D defended by alleging that its employee, Dr. Alan Johnson, was the first inventor of the invention claimed in the Streck patents.The jury found that R&D did not prove by clear and convincing evidence that Johnson was the first to invent, and judgment was entered against it.Concurrently, Streck and R&D were involved in an interference proceeding in the U.S. Patent and Trademark Office (USPTO) involving five Streck patents (including the three patents at issue in the district court) and a pending patent application by R&D naming Johnson as the inventor.After the Board awarded priority to R&D, who was the junior party in the interference, Streck filed a §146 action that was assigned to the same judge who tried the infringement case.The district court overturned the Board decision and awarded priority to Streck after considering the USPTO interference record as well as new evidence.R&D appealed both the infringement and priority decisions, but in this case the Federal Circuit addressed the priority issue only.

R&D raised several procedural issues on appeal, including the authority of the district court to have and consider the new evidence Streck did not introduce at the USPTO Board.The Federal Circuit affirmed, explaining that in a §146 proceeding a court is authorized to take evidence that was not presented to the Board and to conduct a *de novo* determination of priority.The Court also held that R&D, the junior party in the *de novo* proceeding, properly bore the burden of persuasion and that the preponderance of the evidence standard used by the court was appropriate.

On the merits of the priority case, it was not disputed that Streck’s inventors were the first to conceive the invention.R&D alleged that its inventor actually reduced the invention to practice before the Streck inventors and that the Streck inventors were not diligent from the time of their conception up to the time of their reduction to practice.In the district court, the priority issue hinged on whether R&D’s showing of an actual reduction to practice included a showing that the invention worked for its intended purpose.The court concluded that R&D’s alleged reduction to practice was based on experiments that were intended to show the stability of components of the control compositions over time, but did not show that the control compositions worked for the intended purpose, *i.e.*, to determine the accuracy of blood analysis instruments.

The Federal Circuit affirmed the district court’s award of priority to Streck, stating that while the “intended purpose need not be explicitly included in the count of the interference … establishing actual reduction to

practice requires demonstration that the invention worked for its intended purpose."

Practice Note: The Federal Circuit's holding that a district court can conduct *de novo* determination of priority in a §146 action echoes its conclusion, made in the context of a §145 action, in ***Hyatt v. Kappos***, an *en banc* Federal Circuit case now being considered by the Supreme Court.The Federal Circuit and noted that §145 and §146 are parallel provisions and are to be treated similarly.The Supreme Court is expected to take up the *Hyatt* case in 2012.