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United States Patent and Trademark Office
Box Comments -Patents
Commissioner for Patents
Washington, DC 20231

Attention: Mr. Kenneth M. Schor
Senior Legal Advisor.

**Re: Comments on Proposed Rules for the Implementation of
Inter Partes Reexamination**

The Japan Machinery Center for Trade and Investment (JMC) hereby submits comments on Notice of Proposed Rulemaking, Federal Register Vol. 65, No. 67, April 6, 2000, Rules To Implement Optional Inter Partes Reexamination Proceedings.

JMC is a nationwide association of 380 firms that manufacture and export machinery products worldwide. JMC was established in 1952 under Japan's Export and Import Transactions Law to represent the interests of Japanese machinery exporters and investors.

JMC has some of concerns about the proposed regulation as discussed below and we thank you in advance for taking these comments into account before issuing any final regulation.

Comments on the Proposed Regulation

1. Fee of Inter Partes Reexamination

Rule 1.20. Post-issuance and reexamination fees.

- (1) For filing a request for ex parte reexamination \$2,520.00
- (2) For filing a request for inter partes reexamination \$8,800.00

The fee of inter partes reexamination is more than three times as much as that of ex parte reexamination. Such a drastic difference in fee will act as a major factor in deciding which type of reexamination to choose, and will become one of the demerits of inter partes reexamination.

In comparing inter partes with ex parte reexamination, inter partes reexamination provides a third-party requester with the following major advantages: (1) a different Examiner from the one who allowed the patent conducts the reexamination; (2) the third party can submit comments each time the patent owner submits a response; (3) the patent owner and the Examiner cannot have interviews; and (4) the Examiner's grounds for either adopting or not adopting the rejection will be shown.

However, other unfair aspects of ex parte reexamination between a patent owner and a third-party requester, which disadvantage the third party requester, have not been eliminated in the inter partes reexamination despite the above improvements. Upon receiving an unfavorable decision from the Board of Patent Appeals and Interferences (BPAI), the patent owner can appeal to the CAFC. In this appeal, the third-party requester loses his or her status as a party and cannot participate in the appellate procedure. On the other hand, the third-party requester can only appeal to the BPAI and is not provided with the opportunity to seek a court decision regarding the decision of the BPAI.

In addition, inter partes reexamination has negative aspects which ex parte reexamination does not have. Despite that the third-party requester is not given the opportunity to seek review by a court of the BPAI decision after receiving an unfavorable BPAI decision, the third-party requester is estopped, in the subsequent litigation, from asserting at a later time the validity of claims on the grounds which were raised or could have been raised during the inter partes reexamination (35 USC 315(c)). Furthermore, the third-party requester is estopped, in the subsequent litigation, from challenging any fact determined during the inter partes reexamination except a fact determination later proved to be erroneous based on information unavailable at the time of the inter partes reexamination.

Considering these kinds of pros and cons involved with reexamination, it is clear that the inter partes reexamination is not significantly more advantageous to the third-party requester in comparison to the ex parte reexamination, and, in addition, if there is such an extreme disparity between the fees, it is certain that the utilization of the inter partes reexamination process will be severely curtailed. If this underutilization of inter partes reexamination occurs, it is tantamount that the problems which have existed in the ex partes reexamination are not substantively solved. It will greatly discourage the utilization of the inter partes reexamination to charge such a high fee without eliminating the unfairness that exists between the patent owner and the third-party requester in inter partes reexamination.

Although the USPTO emphasizes, in its response (Response to Issue 1) to the comments on the August, 1998, Notice of Proposed Rulemaking that the fee was proposed based on the prospect of the PTO's workload, and maintains that the fee is not meant to suppress the amount of inter partes requests, it is clear that such a fee will discourage the third-party requester from choosing an inter partes reexamination. Therefore, we believe that a more proper fee should be reconsidered, in light of the objectives of improving the system, and that the third-party requester should not be so simply burdened with the full cost. In consideration of the factors mentioned above, we believe that an appropriate fee would be under \$4,000.00.

2. Time Period for Comments by Third-Party Requester

Rule 1.947. Comments by third-party requester to patent owner's response in inter partes reexamination. . . . a third-party requester may once file written comments within a period of 30 days from the date of service of the patent owner's response.

The third-party requester is limited to submitting comments within a period of 30 days. As written in the Discussion of specific rules, the USPTO emphasized that, "Since 35 USC 314(b) (3) statutorily imposes this period for third-party requester comments, this time may not be extended." However, especially foreigners who are disadvantaged by language barriers will find it extremely difficult to comment within this kind of short period, and, in effect, as a realistic problem, many foreigners will be excluded from using this system.

Therefore, we believe that some measure should be devised for foreign third-party requesters to receive a substantial extension to this period.

3. Interview During Inter Partes Reexamination

Rule 1.955. Interviews prohibited in inter partes reexamination proceedings. There will not be any interviews in an inter partes reexamination proceeding which discuss the merits of the proceeding.

Although the Rules prohibit them, interviews can be helpful to Examiners in understanding the points in contention. When the art is complex, this is particularly so. Therefore, we believe that it is unnecessary for interviews to be banned across the board.

In the conventional ex parte reexamination, conducting interviews has not been a problem in ex parte reexaminations, but there have been problems that third-party requesters are not be given a chance of interview. The Examiner has been conducting unilateral interview with the patent owner including discussion of amendment proposals. In "Response to Issue 18," the PTO stated that, "The presence of a third-party requester will complicate the reexamination proceeding and delay it." Yet, if interviewing both parties at the same time causes difficulty, the Examiner can simply interview the parties separately.

The purpose of an interview should be limited to the following purposes: to deepen the Examiner's understanding of the technology, and to clarify the points of contention of both parties.

When reexamination is requested by a third-party requester, there usually is a patent infringement litigation or a possible litigation. Therefore, the case involves severely conflicting interests between the patentee and the third-party requester. The USPTO is required to maintain neutrality. The Examiner should be prohibited from discussing amendment proposals.

4. Office Action and Response by Patent Owner

Rule 1.935. Initial Office Action usually accompanies order for inter partes reexamination.

The order for inter partes reexamination will usually be accompanied by the initial Office action on the merits of the reexamination.

Rule 1.945. Response to Office action by patent owner in inter partes reexamination.

The patent owner will be given at least 30 days to file a response to any Office action on the merits of the inter partes reexamination.

Under the proposed rules, the inter partes reexamination is not a full adversary system, and the patent owner does not respond to the ground of question of patentability raised by the third-party requester but to the rejection by the Examiner. Therefore, the Examiner is not required to adopt the ground of rejection proposed by the third-party requester.

When the ground of rejection not adopted by the Examiner is later adopted in the decision of Board, it is considered to be a new ground of rejection, and the patent owner is given an opportunity of amendment, then the case is remanded to the Examiner. However, the ground was already raised by the third-party requester in the reexamination request, it would be simpler that the patent owner is given an opportunity and required to respond to all the ground proposed by the third-party requester. Then, the opportunity of amendment and need to remand will not become necessary even if the Board adopts any ground proposed by the third-party requester.

5. Amendment Proposal in Board Decision

Rule 1.977.

(c) The Board of Patent Appeals and Interferences, in its decision, may include an explicit statement that a claim may be allowed in an amended form.

As already discussed about interviews during the reexamination, the USPTO is required to maintain neutrality. It should be strictly restricted for the USPTO to make a proposal to benefit one side of the parties where the interests of them conflict.

6. Interview in Ex Parte Reexamination

Rule 1.560 Interview in ex parte reexamination

In ex parte reexamination, despite that the reexamination is usually requested by a third-party requester, the Examiner is permitted to conduct an interview with the patent owner by this rule. Even in ex parte reexamination, when it is requested by a third-party requester, there usually is a patent infringement litigation or a possible litigation. Therefore, the case involves severely conflicting interests between the patentee and the third-party requester. The USPTO is required to maintain neutrality.

We thank you again for your kind consideration of these comments.

Sincerely yours,

Shuji Ogawa
Executive Managing Director
Japan Machinery Center for Trade and Investment