

**COMMENTS ON PROPOSED “CHANGES TO IMPLEMENT THE 2002 *INTER PARTES* REEXAMINATION AND OTHER TECHNICAL AMENDMENTS TO THE PATENT STATUTE”**

The Patent and Trademark Office issued a Notice of Proposed Rulemaking in the Federal Register of April 28, 2003 (68 OG 81) seeking, inter alia, comments on proposed rule changes to implement the changes to Title 35 United States Code included in the 21<sup>st</sup> Century Department of Justice Appropriations Authorizations Act (Justice Department Reauthorization Act).

The purpose of this communication is to provide comments on the PTO’s proposed implementation of those changes.

**Section 4608 of the AIPA**

In column 2 of page 22345 of the Notice, the PTO states:

The effective date language in section 4608 of the AIPA limited the applicability of the conforming amendments to 35 U.S.C. 134 to a reexamination of a patent that issued from an original application which was filed on or after November 29, 1999. Thus, the conforming amendments to 35 U.S.C. 134 applied only to those *ex parte* reexamination proceedings filed under 1.510 for patents that issued from an original application which was filed on or after November 29, 1999. Public Law 107-273 revised the applicability of the conforming amendments to 35 U.S.C. 134 such that the conforming amendments are applications to a reexamination of a patent where the request for *ex parte* reexamination was filed on or after November 29, 1999. Accordingly, §1.191 is proposed to be amended to track the statutory revision of effective date.

The PTO statement that the “effective date language in section 4608 of the AIPA limited the applicability of the conforming amendments...to *ex parte* reexamination proceedings” appears to be contradicted by section 13202(d) of the Justice Department Reauthorization Act which states that the changes to the appeal process “shall apply to any reexamination [*ex parte* or *inter partes*] filed in the United States Patent and Trademark Office on or after the date of enactment of Public Law 106-113 (AIPA)

The PTO statement that the “effective date language in section 4608 of the AIPA limited the applicability of the conforming amendments” is a conclusion that is not supported by any explicit analysis. As discussed hereinafter, it represents a policy decision that is bad law, bad policy for the patent system and bad policy for the Patent and Trademark Office.

Article 1, section 8, clause 8 of the United States Constitution states:

Congress shall have power...To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.

Congress has defined who is an inventor in 35 U.S.C. 101:

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 therefor....

With respect to prior art, the conditions of patentability are set forth in 35 U.S.C. 102 and 35 U.S.C. 103.

What happens when the PTO issues a patent that is invalid based on prior art? There is an improper transfer of ownership from the public (who were, prior to issuance of the patent, able to use the patented invention) to private individuals (the “applicants for patent”).

Issuing a patent that is invalid based on prior art is an unconstitutional act because it gives exclusive rights to individuals who are not “inventors” in a Constitutional sense.

Since issuing a patent that is invalid based on prior art is unconstitutional, the PTO has inherent authority to declare such issuance invalid and improper without the need for any authorizing legislation.

Section 4608 of the AIPA is bad law and bad policy because it has been interpreted to prevent the effective correction of errors in the vast majority of issued patents. Section 4608, as interpreted by the PTO, gutted the applicability of *Inter Partes* Reexamination by limiting its applicability to only about 3.9% of patents Section 4608. As of June 6, 2003, approximately 6,574,798 patent numbers had been assigned. Only 261,646 of those, or 3.9%, are eligible for *Inter Partes* Reexamination under section 4608 of the AIPA.

Section 4608 is bad law and bad policy because it prevents the Patent and Trademark Office from providing complete relief, particularly in the situation where a chain of patents issued from continuing applications exists and where only the later filed patents qualify under section 4608, but their earlier filed parent applications do not qualify.

### **Possible Repeal of Section 4608 by Implication**

The 21<sup>st</sup> Century Department of Justice Appropriations Authorization Act<sup>1</sup> (hereinafter “Justice Department Reauthorization Act”) signed by President Bush on November 2, 2002, set out to rectify problems of *Inter Partes* Practice under the AIPA (Old *Inter Partes* Practice).

The Justice Department Reauthorization Act provided an *Inter Partes* Reexamination Requester with a right of participation in any appeal from an adverse determination, be it at the Board of Patent Appeals and Interferences, or on appeal to the District Court and/or Court of Appeals for the Federal Circuit from a decision of the Board of Patent Appeals and Interferences.

The right of participation on appeal is given to “a third-party requester” and applies to “any reexamination proceeding commenced on or after the date of enactment of this Act.” See section 13106(d). Congress actually gave the right twice. Section 13202(d) reads as follows:

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<sup>1</sup> PL 107-273.

(d) Effective Date.—The amendments made by section 4605 (b) [relating to appeal to the Board of Patent Appeals and Interferences] (c) [relating to appeal to the CAFC] and (e) [relating to appeal by civil action] of the Intellectual Property and Communications Omnibus Reform Act, as enacted by section 1000(a)(9) of Public Law 106-113, shall apply to any reexamination filed in the United States Patent and Trademark Office on or after the date of enactment of Public Law 106-113 [the AIPA].

The Patent and Trademark Office could and should interpret the broad scope of the right to appeal to repeal by implication section 4608 of the AIPA, since a right to appeal assumes a right to participate in the development of the issues to be appealed.

For example, if a request for *Inter Partes* Reexamination were filed at a time outside the date limits of section 4608 of the AIPA, sections 13106(d) and 13202(d) of the Justice Department Reauthorization Act would grant a right of appeal to the requester although participation might be considered to be barred by section 4608.

In passing the Justice Department Reauthorization Act, the possibility exists that some members of Congress considered only Title 35, United States Code and not the uncodified section 4608 of the AIPA<sup>2</sup>. This could explain why Members of Congress might assume a right of third-party requesters to participate in *Inter Partes* Reexamination.

There is enough of a conflict between section 4608 of the AIPA and the Justice Department Reauthorization Act that the Patent and Trademark Office would be justified in holding that section 4608 was repealed by implication. The Patent and Trademark Office should do this now to allow effective reexamination to be available to the 97% of patents arguably excluded by section 4608 of the AIPA.

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<sup>2</sup> Referring to passage of the American Inventor's Protection Act of 1999, Congresswoman Mink said the following:

“Along with these concerns, I object to the speed, secrecy and convoluted method by which this bill has been slipped on to the floor late at night under suspension of the rules....

I find the manner in which this bill was brought to the House floor unacceptable.... Far from a lengthy informed process, H.R. 1907 makes its way to this chamber following a slippery, silent path which featured name changes, number changes, unpublished documents, and finally this evening an unpublished bill, finished only minutes before called up for approval....If it is a wonderful piece of Legislation and protects the rights of the small inventor why is it not open to more than the minimum debate and why can't we hold hearings on this final version whose ink is not yet dry?

The judiciary committee marked up H.R. 1907 without the benefit of hearings; providing no public form for the stakeholders involved. This stark omission comes in spite of extensive controversy surrounding this issue in 105th congress. There is no published report on HR 1907 and until this evening, this House was scheduled to consider a patent bill almost half the length of HR 1907. I was expecting to debate HR 2654, and was shocked to find that HR 1907 was resurrected and had usurped its place. This is an appalling way to manage Legislation embodying such an expansive scope and consequences.” [C 145 Cong Rec E 1756]

## Allow Participation In “*Ex Parte*” Reexamination

Even without the constitutional argument above, the Patent and Trademark Office already has authority it could use to neutralize some of the negative effects of section 4608 of the AIPA by waiving rules of the United States Patent and Trademark Office to permit participation by a requester in “*Ex Parte*” reexamination.

The Patent and Trademark Office should favorably consider waiving 37 C.F.R. 1.535 (g) and 1.560 in any case where *Inter Partes* Reexamination would be barred by section 4608 of the AIPA and where the requester submits a request for that action.

The Patent and Trademark Office already has authority to permit a Requester to participate in “*Ex Parte*” reexamination.

The requirement that “*Ex Parte*” reexamination under 35 U.S.C. 301-307 be “*Ex Parte*” is not statutory<sup>3</sup>. It appears to be a label that was applied after *Inter Partes* Reexamination was enacted<sup>4</sup> to distinguish it from the reexamination procedures under 35 U.S.C. 311-318.

Reexamination files are open to the public. See 37 C.F.R. 1.11. Therefore it is possible to have reexamination under 35 U.S.C. 301-307 in which an interested party can submit comments on each action issued by the Examiner and on each response filed by the applicant. (The office already sends copies of Office Actions to “*Ex Parte*” requesters.)

The only prohibition to such a practice might be found in 37 C.F.R. 1.550 (g) [limiting participation by “*Ex Parte*” requesters] and 1.560 [limiting participation in interviews].

Therefore, it is possible for “*Ex Parte*” reexamination under 35 U.S.C. 301-307 to proceed with Requester participation by waving 37 C.F.R. 1.535 (g) and 1.560.

The PTO has recently taken the position that the requirement that “*Ex Parte*” Reexamination be *Ex Parte* is a statutory requirement. Statutory requirements cannot be waived, only rules. The PTO relies on *In re Amp (Amp)*, 212 USPQ 826 (Comr. Pats. 1981) and on *Syntex (U.S.A.) v U.S. Patent and Trademark Office (Syntex)*, 11 U.S.P.Q. 2d 1866 (Fed. Cir. 1989).

Both *Amp* and *Syntex* were prior to the introduction of *Inter Partes* reexamination by the AIPA and prior to the Justice Department Reauthorization Act.

According to the *Amp* decision, at that time:

Neither these sections [37 C.F.R. 1.501(a) and 37 C.F.R. 1.550(e)] nor any provision of the statute provides authority for a third party to a request for reexamination to file a paper directed to the issues of the reexamination proceeding.

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<sup>3</sup> Chapter 30 of Title 35 United States Code

<sup>4</sup> Chapter 31 of Title 35, United States Code

Both the statute and the rules have changed since that time and permit a third party to file a paper directed to the issues of the reexamination.

Syntex was an attempt to revoke a reexamination certificate. The Court said:

We need not analyze the jurisdictional basis asserted for each of Syntex's claims, because all are dependent on Syntex's theory, which we reject, that the patent statute impliedly grants Syntex, as a third-party requestor, a right to review of the PTO's final decision, at least in instances where it is alleged that the reexamination proceeding was not conducted in accordance with PTO regulations and established procedures.

That was based on the 1982 edition of title 35, United States Code. Again, both Title 35 and the regulations have changed to permit third party appeals in [*Inter Partes*] reexamination cases.

At one point in Syntex, the Court stated:

Indeed the statute specifically prohibits further participation by third-party requesters during reexamination. See 35 U.S.C. §305 (“[a]fter the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination”). Thus a reexamination is conducted *ex parte* after it is instituted. See *In re Etter*, 756 F.2d 852, 859 n.6, 225 USPQ 1, 5-6 n.6 (Fed. Cir., cert denied 474 U.S. 828 (1985).

Footnote 6 of *Etter* responds to an argument in the concurring opinion relating to whether a presumption of validity should attach to claims of a patent in reexamination. In *Etter*, the basis for the “*ex parte*” nature of reexamination is stated as follows:

The statute, 35 U.S.C. §305, provides that “reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title.” The actual reexamination is conducted *ex parte*. 37 C.F.R. 1.550(a) (1983). [*Etter*, 225 USPQ 1, 4)

The PTO cites *Syntex* as authority for a statutory basis for the *Ex Parte* nature of reexamination, and *Syntex* cites *Etter*, and *Etter* cites a rule, namely 37 C.F.R. 1.550(a) (1983). In short, the PTO argument for the statutory nature of a requirement that “*Ex Parte*” reexamination be “*Ex Parte*” is circular. Thus, the requirement that “*Ex Parte* reexamination” be *Ex Parte* is based on a rule and such a requirement may be waived.

### **Benefits to the Patent and Trademark Office**

There are several benefits to the Patent and Trademark Office from not allowing section 4608 of the AIPA to gut the remedial purposes of *Inter Partes* Reexamination.

#### **--Consistency with Title 35 United States Code**

Allowing *Inter Partes* Reexamination to go forward without the restrictions of section 4608 of the AIPA would permit an integration of the reexamination practice with Title 35 of the

United States Code. This will do away with the aberration of having an uncodified section of the American Inventor's Protection Act from creating technical difficulties with the reexamination practice. Remember that section 4608 was not codified in Title 35.

### **--Permits the Patent and Trademark Office to Give Complete Relief**

Allowing *Inter Partes* Reexamination to go forward without the restrictions of section 4608 of the AIPA would permit the Patent and Trademark Office to resolve all issues relating to an invention even though the invention is claimed in different patents, some of which may not be within the time period of section 4608 of the AIPA.

It allows the Patent and Trademark office to correct errors in related patents and thus present a unified posture to the public.

### **--Good Use of Patent & Trademark Office Expertise**

The Patent and Trademark Office has considerable expertise in the proper application of prior art to the claims of a patent. District Court Judges would rarely have that level of experience. Validity issues based on prior art should best be resolved where the expertise resides, namely in the Patent and Trademark Office. Infringement issues would continue to be resolved in the courts.

### **--International Harmonization**

Interpreting the Justice Department Reauthorization Act as suggested herein would result in a harmonized practice with other nations. Other industrialized nations permit nullity actions to be prosecuted separately from infringement actions. Permitting liberal *Inter Partes* Reexamination would bring U.S. Practice into alignment with the practice of other nations.

### **--Economy of Effort**

Finally, there is an economy of examining effort to be achieved by allowing *Inter Partes* Reexaminations to be liberally accepted. This would permit an Examiner to decide between two positions developed by opposing sides verses having to develop issues themselves at great duplication of effort.

## **Conclusions**

The Patent and Trademark Office in this rulemaking should note that section 4608 is not a bar to reexamination. If necessary, the Patent and Trademark Office should interpret the Justice Department Reauthorization Act as overruling section 4608 of the AIPA. Finally, the PTO should acknowledge that it can permit requester participation in "*Ex Parte*" reexamination

by waiving the rules whenever section 4608 of the AIPA might prevent an effective review of an improperly issued patent.

Respectfully submitted.

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