

**DEPARTMENT OF COMMERCE
Patent and Trademark Office**

Testimony of

Harold C. Wegner

concerning the proposed Modification to 37 CFR Part 1, *Changes To Implement the 2002 Inter Partes Reexamination and Other Technical Amendments to the Patent Statute*, Rulemaking Notice of April 28, 2003, 68 FR 22343-01 submitted electronically to AB57Comments@uspto.gov, June 3, 2003

This is responsive to the invitation to provide testimony concerning the above-captioned regulations that would effect a change to the *Rules of Practice in Patent Cases*, 37 CFR, Part 1.

Harold C. Wegner is the former Director of the Intellectual Property Law Program and Professor of Law at the George Washington University Law School and a partner in the firm of Foley & Lardner. The testimony does not necessarily reflect the views of any client of the firm or any organization with which Prof. Wegner is affiliated.

Without satisfactory revision to the proposed regulations (1) an Examiner may suppress a case from appellate review “forever” simply by refraining from making a rejection final; and (2) third parties may torment patentees and block appeals by piggybacking second and subsequent reexamination requests onto an initial reexamination (to the extent that this would preclude a final action in merged proceedings).

Point (1): An Examiner may, in his sole discretion, refrain from making *any* rejection final, and thus, under the proposed regulations, deny the patentee the right ever to emerge from the examining corps – even to the level of an Appeals Conference, let alone the Board of Patent Appeals and Interferences. There is at least one case where a

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[hwegner@foleylaw.com]

reexamination proceeding is now in its sixth (6th) year of pendency and there has *never* been a single final rejection.*

Point (2): A reexamination requester may piggyback a second or subsequent reexamination onto the first reexamination with the possibility of merged proceedings and the possibility of thwarting a final rejection in a second action in the first reexamination – the first action in the piggybacked, second reexamination.

Public policy dictates giving the patentee recourse from being suspended in a state of non-final animation – whether this is due to the actions of the Office or a third party.

The statutory changes prompting the proposed changes to the *Rules of Practice in Patent Cases* were purportedly “technical” amendments that suddenly and retroactively have denied a right to appeal certain non-final rejections. (In an unrelated aspect of the same statutory changes, it has suddenly and retroactively become improper to file a civil action under 35 USC § 145 where the civil action has been filed in a reexamination commenced on or after November 29, 1999.)

The 1999 changes to 35 USC § 134 and § 145 were to be phased in only years after enactment, i.e., only for a reexamination that was based upon an *original* domestic priority application filed on or after November 29, 1999, which could take many years for the law to become effective –providing a gradual transition. Instead, the 2002 statutory

* The example is given of the *Ochiai* case, both in the text, *infra*, and as an appendix to this testimony.

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change is – if literally applied – applicable to any *reexamination* filed on or after November 29, 1999, i.e., nearly three years ago:

Does this mean, for example, that the PTO will now consider a current appeal in a reexamination that is based upon a second or subsequent non-final action to be abandoned if the reexamination was filed on or after November 29, 1999, even if the appeal were filed before November 2, 2002? In other words, it was perfectly proper to file an appeal in such a case before November 2, 2002, but – if the law is retroactively applied as its literal wording would possibly admit – is the once perfected appeal now a nullity? What is to happen to such cases under the proposed rules? Nothing is said about this in the *Federal Register* notification. Changing the rules in the middle of a reexamination, like this, should be clearly improper.

It is therefore proposed that in 37 CFR § 1.191(a) a new sentence be added after the second sentence:

“For the purposes of the previous sentence and subsection 134(b) of Title 35, any second or subsequent rejection mailed either before November (a) 2, 2002, or (b) more than two years from the date of an order for reexamination may be deemed a final rejection at the election of the patentee, and any appeal proper as of the date of appeal be deemed responsive to a final rejection.”

The text of this subsection *in toto* is given after these Comments, *Text of § 1.191 with Proposed Amendment*. (It is recognized that a parallel amendment *could* be made for *inter partes* reexaminations, as well. However, with the infrequent use of that procedure to date and with many other changes needed to make that procedure more viable for frequent use, this proposal is limited to *ex parte* reexaminations.)

Some of what is proposed, here, is based upon the experience as counsel in the Ochiai reexamination that is discussed herein. But, any change in the rules along the lines proposed, here, would not impact the Ochiai ongoing proceedings which are now in their sixth year of reexamination, i.e., the effective date for the changes in the *Rules of Practice in Patent Cases* and the underlying statutory language of 35 USC § 134 is subsequent to any relevant date in the Ochiai proceedings. The Ochiai proceedings, here, stem from the patent granted as a result of the court decision in *In re Ochiai*, 71 F.3d 1565 (Fed. Cir. 1995). As seen from the Ochiai case itself and the attached pleading excerpt, to deny a reexamination patentee the right to file an appeal from a non-final rejection may permit either the PTO or a requester to hamstring reexamination proceedings to keep a case bottled up in the examining corps “forever”.

Text of § 1.191 with Proposed Amendment

§ 1.191 Appeal to Board of Patent Appeals and Interferences.

(a) Every applicant for a patent or for reissue of a patent, and every owner of a patent under ex parte reexamination filed under § 1.510 before November 29, 1999, any of whose claims has been twice or finally (§ 1.113) rejected, may appeal from the decision of the examiner to the Board of Patent Appeals and Interferences by filing a notice of appeal and the fee set forth in § 1.17(b) within the time period provided under §§ 1.134 and 1.136 for reply. Notwithstanding the above, for an ex parte reexamination proceeding filed under § 1.510 on or after November 29, 1999, no appeal may be filed until the claims have been finally rejected (§ 1.113). : **For the purposes of the previous sentence and subsection 134(b) of Title 35, any second or subsequent rejection mailed either (a) before November 2, 2002, or (b) more than two years from the date of an order for reexamination may be deemed a final rejection at the election of the patentee, and any appeal proper as of the date of appeal be deemed responsive to a final rejection.** Appeals to the Board of Patent Appeals and Interferences in inter partes reexamination proceedings filed under § 1.913 are controlled by §§ 1.959 through 1.981. Sections 1.191 through 1.198 are not applicable to appeals in inter partes reexamination proceedings filed under § 1.913.

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Excerpts from the
[OCHIAI] PETITION TO THE DIRECTOR FOR FINAL ACTION WITH
“SPECIAL DISPATCH” CONSIDERATION OF THIS CASE
UNDER 37 CFR § 1.182*

Now comes your petitioner Ochiai and requests intervention in this [reexamination proceeding] to provide the statutory “special dispatch” treatment to this reexamination that is mandated by the statute – something manifestly denied to the patentee in a case that as from April 5, 2003, has entered its sixth (6th) year of reexamination. ***

* * *

‘[D]espite the “special dispatch” mandate of the statute, the current reexamination is now in its sixth (6th) year of pendency. Among the many odd quirks of this reexamination, there has never been even one (1) final rejection in the case. It is well settled that “‘all’ reexaminations, not just some of them, ‘will be conducted with special dispatch.’” *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988)(quoting 35 USC § 305). There are no exceptions. *Id.*

In this case, nevertheless, appeals have been taken directly from a non-final rejection not once, but twice. The first time, the case was withdrawn from the appeal with the entry of a new, non-final rejection. The second time, a *new ground of rejection* was added to the case *but with an Examiner’s Answer*. Of course, new

* This is an excerpt of paper filed April 30, 2003, in reexamination nos. 90/004,950, filed April 3, 1998, and 90/005,200, filed December 22, 1998.

grounds of rejection are prohibited under the present facts, 37 CFR § 1.193(a)(2), and once an examiner's answer contains a new ground of rejection, “prosecution must be reopened.” MPEP § 1208.¹ This is the procedural issue, pure and simple, that stands awaiting decision.

Yet, despite a timely petition that is fully briefed and argued, the decision on petition denied even a *consideration* to the entire record on various grounds, *inter alia*, that it would be “tedious” for the Office to do so. Tedious! In a case of sufficient importance where the patent in question had reached the Federal Circuit in a time-consuming appeal. *In re Ochiai*, 71 F.3d 1565 (Fed. Cir. 1995). Tedious – at the expense of due process.

But the decision on petition once again thwarts judicial review – it was issued with the directive that reconsideration to the Office and not the courts was the appropriate channel to take. The matter is quite simple – as seen from the petition on reconsideration that remains outstanding: *Ochiai* has never been given the opportunity to present evidence responsive to the new ground of rejection. Due process is denied. This is akin to the situation where the Supreme Court reversed a denial of due process where the petitioner had “never [been] afforded a proper opportunity to respond to the claim against him. *** Procedure of this style has been questioned even in systems, real and imaginary, less concerned than ours with the right to due process.”² It is axiomatic that “[t]he fundamental requisite of due

¹ Similarly, when the Board’s Decision contains a new rejection under 37 CFR § 1.196(b), Appellant may submit a showing of facts, i.e., evidence. 37 CFR § 1.196(b)(1).

² *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 468 (2000) (Ginsburg, J.), rev’g *Ohio Cellular Prods. Corp. v. Adams USA, Inc.*, 175 F.3d 1343 (Fed. Cir. 1999). In the footnote following this quotation, Justice Ginsburg quotes from “[a] well known work,” *Nelson v. Adams*, 529 U.S. at 468 n. 2. As quoted by Justice Ginsburg:

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[hwegner@foleylaw.com]

process of law is the opportunity to be heard.”³ It is a central theme of the American judicial system that a party should have “actual notice and a meaningful opportunity to be heard ***.”⁴ Thus, “[p]rocedure of this style has been questioned even in systems, real and imaginary, less concerned than ours with the right to due process.”⁵ There are numerous other cases to the same effect.⁶

" 'Herald, read the accusation!' said the King.

On this the White Rabbit blew three blasts on the trumpet, and then unrolled the parchment scroll, and read as follows:

*'The Queen of Hearts, she made some tarts,
All on a summer day:
The Knave of Hearts, he stole those tarts,
And took them quite away!'*

'Consider your verdict,' the King said to the jury.

'Not yet, not yet!' the Rabbit interrupted. 'There's a great deal to come before that!'"

Nelson v. Adams, 529 U.S. at 468 n. 2 (quoting L. Carroll, *Alice in Wonderland and Through the Looking Glass* 108 (Messner 1982)) (original emphasis by Justice Ginsburg).

³ *Nelson*, 529 U.S. at 468 (Ginsburg, J.) (quoting *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950), quoting *Grannis v. Ordean*, 234 U.S. 385, 394 (1914)).

⁴ *In re Altman*, 254 B.R. 509, 516 (D.Conn. 2000).

⁵ *Altman*, 254 B.R. at 516 (quoting *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 468 n. 2 (2000), referring to L. Carroll, *Alice in Wonderland and Through the Looking Glass* 108 (Messner, 1982)).

⁶ *Tuxford v. Vits Networks, Inc.*, 2003 WL 118242 (D.N.H. 2003) (quoting *Lucente v. International Business Machines Corp.*, 310 F.3d 243, 260 (2d Cir. 2002) and citing *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 466 (2000)) (“[A] court may not deprive an affected party the right to file a response to an amended pleading if the party so desires.”); *Nieto v. Kapoor*, 210 F.R.D. 244, 247 (D.N.M. 2002) (quoting *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 466 (2000) (quoting Fed.R.Civ.P. 15(a)). (“‘Th[e] opportunity to respond’ is ‘fundamental to due process[.]’”); *Viking Indus. Sec., Inc. v. N.L.R.B.*, 225 F.3d 131, 136 (2d Cir. 2000) (quoting *Nelson v. Adams USA, Inc.*, 529 U.S. 460 (2000)) (“[D]ue process ... demand[s] a more

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[[hwegner @ foleylaw.com](mailto:hwegner@foleylaw.com)]

Indeed, in both 35 USC § 134 and 35 USC § 305 Congress recited that the appeals may be had in reexamination proceedings. The PTO has determined, through binding precedent and formal rulemaking, how appeals are to proceed. 37 CFR §§ 1.191-*et seq.* The rules explicitly prohibit an examiner's answer from containing new grounds of rejection under the facts of this case. *Cf.* 37 CFR § 1.193(a)(2). Whether an examiner's answer contains new grounds of rejection under the facts of this case is petitionable. 37 CFR § 1.181; MPEP § 1208.02.

While the agency may change its regulations, it must do so in a reasoned manner. *Motor Vehicle Mfrs. Ass'n of United States, Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 52 (1983), *SEC v. Chenery Corp.*, 332 U.S. 194 (1947). Rules may neither be amended nor rescinded except by the same process required for its promulgation. *United States v. Nixon*, 418 US 686 (1974). While an agency may change its interpretation of a statute or regulation to a different interpretation consistent with the statute or regulation, the agency bears the burden of explaining why it is deviating from its practice. *Allentown Mack Sales and Serv., Inc. v. NLRB*, 522 U.S. 359, 374-376 (1998)(citing *Motor Vehicle Mfrs. Ass'n*, 463 U.S. at 52).

By following its own rules, the PTO will foster justness by presenting straight forward issues that can be swiftly and uniformly decided in each similar individual situation. Unfortunately, for petitioner's case, the PTO decided to effectively amend or rescind both Rules 181 and 193(a)(2) without a legitimate reason or official notice. Thus, the PTO acted arbitrarily and capriciously.

reliable and orderly course.”).

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