

Patent Reexamination - Implications

*A discussion of advantages,
disadvantages of reissue
procedure going into effect July
1, 1981*

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On December 12, 1980, legislation which had been referred to as H.R. 6933 was signed into law as Public Law 96-517 by the President. This law deals mostly with patents but partly with trademarks and copyrights.

The new legislation deals with five separate topics: patent reexamination, Patent and Trademark Office (PTO) fees, government patent policy, PTO development of a computerized data and retrieval system, and the copyrightability of computer programs. This paper deals with the first of these subjects, patent reexamination.

PRELIMINARY COMMENTS

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We have been operating in the United States with a form of patent reexamination since at least March 1, 1977. On that date, the U.S. Patent and Trademark Office put into effect a practice under the reissue statute (35 U.S.C. Section 251) under which a patent owner could go back to the PTO and ask for an opinion as to whether claims in the patent were patentable over prior art not previously considered by the Office. Such prior art frequently came to the patent owner's attention during licensing negotiations or litigation. This reissue procedure accordingly was and still is frequently used in an effort to neutralize attacks on a patent's validity based on such new prior art. The reissue procedure often results in elimination of the licensing disputes and settlement of the litigation, and sometimes influences the outcome of the litigation.

However, this reissue procedure, which the PTO proposes to continue and expand even after the new reexamination procedures are put into effect on or after July 1, 1981, has significant limitations. Perhaps its most significant limitation is the fact that only the patent owner may initiate the reissue proceeding. If a third party, such as the person charged with infringement, wants to subject the patent to further review by the PTO, his only meaningful options under this procedure are somehow to induce the patentee to seek reissue on a voluntary basis, or to ask a court in which the patent was being litigated to force the patentee to seek reissue. Both types of efforts are occasionally successful.

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Depending upon your viewpoint, other features of this reissue procedure are either disadvantageous or advantageous. For example, under this procedure, the PTO permits any kind of prior art to be considered, including not only prior patents and printed publications but also public uses and sales. The issue of fraud may also be considered. In addition, while third parties have no express right to participate in the proceedings, in practice the PTO permits extensive third party participation in filing papers, attending and participating in interviews with examiners, briefing and arguing (but not initiating) appeals to the PTO Board of Appeals, and the like. The end result of such third party participation has been a relatively thorough, but very costly and time consuming, review of the patents involved in this reissue procedure.

Primary Purposes

The new reexamination law and the rules which the PTO has proposed to implement it have, as one of their primary purposes, limiting the high cost and time delays of the existing reissue practice, while preserving its essential advantage, that being the opportunity for the PTO to provide its views on the patentability of an invention based on new prior art. This is accomplished by severely curtailing the extent to which third parties may participate, by limiting the types of prior art which may be considered in the reexamination, and by stressing the importance of prompt PTO action on the request for reexamination.

There is however, a significant complication, created by the fact that the rules proposed by the PTO to implement the new reexamination law also leave in full effect the presently existing reissue practice, which many thought was to be replaced by the reexamination law. Perhaps more significantly, the proposed rules would greatly expand the existing reissue practice to make it much more of an adversary, or *inter partes*, proceeding. Indeed, the proposed rule changes raises for the first time the possibility of taking testimony in a contested reissue proceeding. As explained below, the continued existence and expansion of this reissue practice will considerably complicate and make more difficult the options facing the patent owner and potential infringer and may even tend to undermine somewhat the goals of the new reexamination law.

Perhaps the best way to explain the foregoing points is to describe, at least in general, the procedure involved in each of three different procedures: (1) the present reissue practice; (2) the new reex-

amination practice (as set forth in the proposed PTO rules); and (3) the revised reissue practice (again, as set forth in the proposed PTO rules). Some of the considerations involved in use of the reissue and reexamination procedures and some of the tactical problems and decisions which will have to be made in the future by patent applicants and their legal advisers will also be explored.

PRESENTLY EXISTING REISSUE PRACTICE

Under this practice, which is conducted under the reissue section of the patent law, a patent owner can go back to the PTO after his patent issues and request the Office to determine whether the patent claims (as issued or as proposed to be amended) are patentable over prior art not previously considered by the PTO. While neither the statute nor the PTO rules spell out the conditions under which this reissue proceeding is to be conducted, in practice third parties are normally permitted to participate as protestors. Protestors may file responses to all papers filed by the patentee, may participate in interviews with the examiner requested by the patentee (although the protestor may not himself request the interview), and may file briefs and orally argue before the Board Of Appeals in an appeal initiated by the patentee. Under this procedure, few if any limits are placed on the number of papers filed by the patentee or by protestors, and no limits are placed on the type of prior art which may be considered, be it printed publications, patents, prior uses or sales, or the like. In addition, fraud-related issues are considered in this proceeding, although fraud issues are presently deferred until the basic reissue examination function has been completed.

While no formal rule exists that existing reissue practice is to be carried out before the same examiner who issued the original patent, that is in fact what is done if the original examiner is still available.

Under this procedure, it is not possible, in the PTO reissue proceeding itself, for the third-party protestor to engage in discovery (a litigation procedure that permits a party to review in advance the evidence from which its opponent seeks to prove its case). Often, however, the reissue proceeding is conducted simultaneously with litigation involving the patentee and the protestor may obtain discovery through the court for use in the PTO reissue proceeding.

The only fees charged by the PTO in connection with the existing reissue practice are those small fees normally charged the reissue applicant for filing and possibly issuing the reissue application and for filing appeals during the reissue procedure. No fees are charged by the PTO, however, to third-party protestors.

Finally, while not formally part of the existing reissue practice, third parties are presently able under the PTO rules (37 C.F.R. Section 1.291(b)) to cite prior art relevant to an issued patent which will be placed by the Commissioner in the patented file. The Commissioner, however, is powerless to act on that prior art in connection with the patent

unless, of course, the patentee seeks to reissue the patent.

PROPOSED NEW REEXAMINATION PRACTICE

Whereas only a patentee may initiate a reissue proceeding, anyone, including patentees, third parties, or even the Commissioner himself, may request reexamination. In order to minimize the burden of reexamination on the PTO and to discourage harassment of patentees by the frivolous filing of requests for reexamination, a fee of \$1,500 is to be charged for the filing of any reexamination request. In addition, before any reexamination will take place, a determination must first be made by the PTO, within three months of the reexamination request, that a substantial new question of patentability affecting any claim of the patent is raised by the request. Both of these last two features are, of course, departures from the existing reissue practice. Moreover, unlike reissue practice, the PTO intends to have a special reexamination examiner (other than the one who issued the original patent) make the "substantial new question of patentability" determination. Still further, where the reexamination request is filed by a third party, the patent owner will not be permitted to respond before this initial determination is made.

If it is found that no substantial new question of patentability exists, \$1,200 of the \$1,500 fee will be refunded. Review of the reexamination examiner's decision refusing reexamination may be obtained by petition to the Commissioner. If, however, reexamination is held proper, limited periods will be set for the filing of arguments and/or amendments by the patent owner, a limited time will be set for the filing of a *single* response by any third party reexamination requester, who will not be able to participate any further in the proceeding. If the patent owner submits no argument or amendment, third parties will not be permitted to file *any* arguments after reexamination has been ordered. This, it will be recalled, represents a substantial departure from existing reissue practice, in which third parties have been permitted to participate in all stages of the proceeding and in which all parties have been able to file unlimited numbers of papers in response to one another and to communications from the PTO. Moreover, the actual reexamination is conducted by a reexamination examiner *different from* the one who made the initial determination to hold reexamination, and this new reexamination examiner will, in turn, be different from the one who examined the original patent.

Features

Beyond the foregoing, the following features of the proposed reexamination practice are worth noting:

1. Whereas any prior art may be considered in a reissue only prior art consisting of patents and printed publications may be considered in a reexamination proceeding. However, the proposed reexamination rules also permit consideration of Section 112 (disclosure and claim definiteness) or Section 132 (new matter) issues.

2. Whereas the reissue practice permits broadening of claims (where the reissue is filed within two years of the issuance of the patent), no claim broadening is permitted during reexamination.

3. Whereas fraud issues can be considered during a reissue proceeding, the proposed reexamination rules do not provide for such consideration.

4. Under the new practice, third parties may *anonymously* cite prior art (including but not restricted to patents and printed publications) relevant to an issued patent, which will be entered in the patented file. More significantly, however, the Commissioner may himself decide, based on any newly cited patents or printed publications, to initiate a reexamination proceeding.

As you will see, this proposed reexamination practice involves substantial reductions in third-party involvement and involves substantial reductions in third parties, involvement and cost, both to patent owners and third parties, in comparison to the existing reissue practice. At the same time, however, it provides not only the patent owner but third parties with a quick and inexpensive procedure to have the PTO comment on new prior art. Hopefully, such comment by the PTO will contribute materially to the quality and reliability of issued patents, and in turn, to the elimination or resolution of patent related disputes.

As noted previously, however, there is a complicating factor which may have an impact on the achievement of this salutary goal; that is, the PTO's proposal not only to continue the existing reissue practice but to expand its scope substantially, as briefly discussed below.

PROPOSED REVISIONS TO THE PRESENTLY EXISTING REISSUE PRACTICE

The PTO's proposed changes in the existing reissue practice are not specifically covered in the new legislation; the changes result from the proposed rules drafted by the PTO to implement that legislation. In those proposed rules, a number of significant provisions affecting reissue are included, as follows:

1. Third-party protestors have been permitted extensive participation in existing reissue proceedings without any formal declaration by the PTO. The proposed PTO rules apparently will require as a condition of such participation that a petition first be filed to have the proceeding declared an *inter partes* or adversary proceeding. That petition, however, can be filed either by the patent owner or by the protestor and will likely be liberally granted.

2. If a petition requesting an *inter partes* proceeding is granted, the options available to protestors will be significantly expanded beyond those presently available in the existing reissue practice. For example, protestors will be able both to initiate an interview with the examiner (although only in the presence of the patent owner or his representative) and to initiate an appeal (referred to in the rules as a "request for review") to the PTO Board of Appeals.

3. Perhaps more significantly, in any such *inter*

partes reissue proceeding, any party may file yet another petition to have the proceeding declared a "contested case," at a cost of \$500 (with a refund of \$400 if the petition is denied). Section 24 of Title 35, U.S. Code, provides that the U.S. federal courts may provide assistance to those involved in "contested cases" in the PTO. No existing reissue proceeding has been declared a "contested case." Patent interferences, however, have been considered "contested cases," and Section 24 has been used in interference proceedings to assist in obtaining testimony and documents from opposing parties and third parties in such proceedings. In light of this new "contested case" option in the proposed revisions to the reissue rules, the *inter partes* or adversary nature of reissue practice will be greatly expanded. This expansion, however, has its limits, since "discovery," of the type permitted in U.S. patent litigation and to a lesser extent in interference practice, will *not* be permitted.

4. Where reexamination, reissue, interference, and/or litigation proceedings are simultaneously pending, the Commissioner will determine whether or not to stay any one or more of the PTO proceedings.

REFLECTIONS ON THE USE OF THE PROPOSED NEW REEXAMINATION AND REISSUE PROCEEDINGS

Introduction

An understanding of the objectives sought to be attained in using reissue and reexamination procedures is essential to an understanding of the strategy and tactics to be employed in those procedures. In essence, both reexamination and reissue provided an opportunity to obtain a preliminary indication of the validity of an issued patent short of actual judicial resolution. Such an initial determination is most valuable for patents which are actually involved in litigation or with respect to which litigation is a strong possibility. Accordingly, any decision made in the context of reissue or reexamination must take into consideration its possible impact on pending or subsequent litigation.

The philosophies behind the decisions by the patentee or a potential infringer to become involved in reissue or reexamination procedures are fundamentally the same. Both parties feel that the chances of prevailing in litigation are improved to the extent that an initial PTO determination favorable to their respective positions can be obtained. Similarly, in order to derive maximum benefit from a favorable PTO decision, each party would like to involve the other in the PTO proceeding to the greatest possible extent. Such involvement limits the adversary's ability to argue that the PTO decision was not based on a full airing of the facts. In this regard, the likelihood that a trial court will follow the lead of the PTO on a particular patentability issue is proportional to the depth of consideration of the issue by the PTO, which in turn is proportional to the degree of involvement by adverse parties in the proceeding.

However, nothing in life is certain, particularly the prospect of a favorable PTO decision. Accord-

ingly, both the patentee and the potential infringer must consider the implications of a potentially adverse PTO decision and may wish to limit the impacts of such an adverse decision by curtailing their involvement in the PTO proceeding. The obvious desire on both sides is to strike a balance of participation from which the court will be likely to follow a favorable decision but would not feel constrained to follow an adverse decision.

Under the new reissue and reexamination practices outlined above, one can vary his involvement in the process from the anonymous citation of prior art to the PTO to full-blown participation in a "contested" reissue involving the taking of testimony. As can be seen from the foregoing, an analysis of strategy and tactics entails a review of the available procedures both from the viewpoint of the patentee and from the viewpoint of a potential infringer.

A recent article analyzes in some detail the tactics and strategy to be followed under the presently existing reissue practice, both from the viewpoint of the third-party protestor and from the viewpoint of the reissue patent applicant. See "The New Reissue Practice," 61 J.Pat.Off.Soc'y 68 (February 1979). Many of the insights set forth in that article will still be appropriate under the practice to be followed under the proposed reexamination and reissue procedures. The concurrent availability of the new reissue and reexamination procedures, however, creates a host of new considerations and problems, many of which are not addressed by the article. Accordingly, while it is somewhat difficult at this early date to develop a precise set of guidelines for action under these procedures, some preliminary ideas and concepts are set forth below.

From The Viewpoint Of The Patentee

First, and most significantly, the PTO's proposal to expand its existing reissue procedure to permit enlarged third party participation, including the possibility of taking testimony, may well undermine the goals of the new reexamination law. Those goals included, as essential ingredients, limitations on third-party participation and the types of prior art that could be considered. It was thought that such limitation would expedite the proceeding and reduce its cost significantly. If the only reexamination procedure available to the patent owner is one with these restrictions, such as that just passed into law, he may use it confident that a court will give its results some weight (hopefully considerable), subject only to a possible attack based on the third party's limited opportunity to participate in it. Where, however, the patent owner has an option to use *either* the limited reexamination procedure or a much more comprehensive, much more adversary, *inter partes* reissue procedure, he faces a real dilemma. If he uses the reexamination procedure, his litigation adversary will argue that the results of this proceeding should be given little weight because the patent received significant benefits from the reexamination procedure without the disadvantages noted above.

There seem to be a number of advantages to the patentee associated with reexamination as opposed

to reissue which may well outweigh any negative inference associated with opting for the less rigorous proceeding. These advantages flow from the fact that the reissue statute allows amendments to the patent specification and claims only to correct "errors" which arose "without any deceptive intention." The reexamination statute, however, places no such conditions precedent on amendments made during reexamination. Thus, it would seem that amendments to save the validity of the patent could be made during reexamination without regard to the circumstances surrounding the failure to make those amendments earlier, without regard to whether that failure was deliberate or an "error," and without regard to whether that failure involved "deceptive intention." Thus, in reexamination, the patentee's conduct in procuring the original patent will not be open to review under the standards of the reissue statute.

Nor does it appear that the patentee's conduct in procuring the original patent will be open to review under the PTO rule against fraud, 37 C.F.R. Section 1.56. Rule 56 allows, *inter alia*, the PTO to strike from its files any application in connection with which fraud has been attempted. However, a patent in reexamination would not appear to be an "application" within the meaning of the rule. Perhaps the reexamination procedures are superior to reissue practice in leaving complex factual questions relating to fraud, good faith, intent, and credibility to be resolved ultimately by courts which, with live testimony, may be better able to evaluate such matters.

In light of the foregoing, a patent owner charged with fraudulently withholding material prior art during procurement of the original patent may wish to have the PTO judge the relevance and materiality of that art to the patentability of the invention through reexamination without exposing himself to PTO review of the ultimate fraud question.

From The Viewpoint Of The Potential Infringer

Third parties, of course, are not confronted with the dilemma of which of the two options to select; their only option is to request reexamination *unless* the patent owner files a reissue application. If the patentee either chooses or is judicially compelled to seek reissue, third parties can seek to participate in that proceeding by filing a petition to have the reissue proceeding declared to be an *inter partes* protest proceeding. If further involvement is desired, one may request that the case be declared a "contested case." Third parties are, however, not without their problems.

For example, the extremely limited participation allowed a third party in the reexamination procedure puts him at a disadvantage vis-a-vis the patent owner. Accordingly, the likelihood that the patent owner will succeed in the proceeding is increased. Yet, notwithstanding this limited participation, the third party will be damaged psychologically in any litigation involving the patent due to his involvement in the PTO proceeding. In light of this disadvantage, patent owners who decide to submit their patents to reexamination will want to in-

vite their adversaries to participate in the proceeding, as many have been doing under the existing reissue practice. Similarly a third party who can afford to litigate will want to give careful consideration before he requests or participates in reexamination.

Third parties who can't afford to litigate, on the other hand, will obviously find the relatively inexpensive reexamination procedure of great benefit to them. In this regard, a third party who obtains a negative patentability opinion from the PTO may well be able to recover attorney's fees from patent owners who thereafter persist in litigation.

Some third parties may regard as extremely important the fact that the proposed reexamination procedure contemplates reexamination by examiners different from those who examined the original patent. Such a safeguard, it may be felt, eliminates the potential bias of an examiner who may be reluctant to find invalid or unpatentable a patent he previously held to be patentable. In fact, however, many patent lawyers involved in the existing reissue practice feel that the original examiners have performed their reissue tasks well and fairly. It is thus debatable how significant this procedural innovation will be.

Finally, some third parties wary of the dangers associated with participation in reissue or reexamination procedures may regard as significant the ability under the new law to anonymously cite new prior art to the PTO. Such new prior art could, of course, be cited under the existing law without revealing the identity of the person citing it. The difference, however, is that the Commissioner under the new law may himself institute a reexamination proceeding based on this new prior art, something he could not do under the existing law. Whether he will avail himself of this opportunity remains to be seen. If the Commissioner does reexamine a patent on the basis of anonymously cited prior art and finds the invention still patentable, the anonymous informant may find it hard to disassociate himself from that proceeding. The informant's acts would undoubtedly be "discoverable" during any litigation between the informant and the patentee, and a court may frown on the informant's unsuccessful attempt to have the best of both worlds.

GENERAL OBSERVATIONS

Two of the most interesting questions which will have to be resolved under the new practice are of equal importance to the patentee and the potential infringer. The first is whether either the patentee or the protestor or both will be found by a court to be conclusively bound by the results of a new PTO reissue proceeding or whether they will be free to litigate the matter again in court. It had been held under the old practice that the *protestor* was not bound, or "collaterally estopped," by the PTO decision because, *inter alia*, he had been given no right to appeal. The question as to the patentee has yet to be resolved. Will the new right of a protestor to file a "request for review" cause him now to be bound by the result?

Another interesting question is whether the availability of a limited mechanism whereby a patent infringer can initiate PTO review of an issued patent will be sufficient to prevent courts in the future from ordering patentees to reissue litigated patents. The power of courts to issue such orders and the wisdom of issuing such orders have been the subject of sharp debate in recent years with court decisions going both ways. The reexamination practice will undoubtedly complicate the question.

EXCERPTS

"CHAPTER 30 — PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

Sec. 301. Citation of Prior Art

Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

Sec. 302. Request for Reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which the reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

Sec. 303. Determination of Issue by Commissioner

(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

Sec. 304. Reexamination Order by Commissioner

If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting

any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

Sec. 305. Conduct of Reexamination Proceedings

After 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 under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter.

All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

Sec. 306. Appeal

The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

Sec. 307. Certificate of patentability, unpatentability, and claim cancellation

(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.