

PRESENTATION:

**VALIDITY CHALLENGES
IN RE-EXAMINATION PROCEEDINGS**

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I'd like to talk about re-examination. I know a little about it and have worked on a few cases. What is re-examination? Basically, about 150,000 patents are issued a year. Some mistakes are made regarding patent issuance, no matter how hard the UPTO tries. In 1980, coinciding with the formation of the Federal Circuit, Congress was concerned with the confidence, or lack thereof, in the validity of patents and tried to restore confidence in the patent system by establishing the re-examination process. This process is exactly what it implies; it is a second examination, if used correctly, of an issued patent.

Congress had three main considerations regarding such a process. First and foremost, if done correctly (and some are not), it should provide a cheaper and quicker resolution of a validity dispute than obtainable in District Court. The goal was to allow the administrative process to work, as opposed to clogging down the court system. The second reason was to rely on the expertise of the people within the Patent and Trademark Office. If we're good enough to examine a patent, shouldn't we be good enough to re-examine it? The third reason was to strengthen the validity and confidence in the patent system and the validity of patents. The purpose of the system was to correct errors and, in some instances, to remove patents that should not have issued. I like to think of it, if done well, as quality control after the fact. Regardless of how many applications we have or how many examiners we have, it is a way to focus our talents a second time, usually with the help of a third party.

The re-examination statute is governed by §35 U.S.C. I will briefly touch on the key sections, §§301-307. Section 301 allows submission of a prior arts statement when prior art believed to be relevant to an existing patent is found. Interestingly, §301 is not limited to re-exams. For example, if Mark found a patent he thought was relevant to an issued patent, he could send it in, the USPTO would put it in the file and he would not have to request a re-exam. I do not think he would have to pay money, I am not sure about the money part, but he definitely does not have to go through the whole re-examination process. Therefore, you could submit prior art whenever you want. The section basically states, "prior art

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believed to be relevant.” Notice, the sections do not say “new prior art;” they just say, “prior art.” I will explain later why that is important.

Section 302 states that any person at any time can request that the USPTO re-examine a patent. Who might do this? A patentee might do this, if he finds art that was not considered and wants it looked at. Third parties do it, such as competitors and sometimes defendants in litigation, as a way to attempt to delay or shut down the trial while the re-examination takes place. The §302 request falls back on §301; it says it is based on the prior art cited in the §301 statement. Again, it does not say “new prior art.” I am harping on that and you will see why later.

Section 303 then has the decision portion. The key is, is there a “Substantial New Question” (SNQ) of patentability based on the prior art submitted in the §301 statement? How can you have a substantial new question of patentability? You could have new art, sometimes but not always, and that can likely present a new question the examiner didn’t consider. But, ask yourselves whether or not you could have a new question about a piece of prior art that you already looked at. Is it not possible that you did not think about a piece of prior art in a certain way, or somebody did not point it out to you in a certain way, and you might want to take a second look?

In the background of all this is, if the USPTO is there to correct mistakes, shouldn’t the director, the head of the agency, be able to make the decision of whether or not there is a substantial new question? Section 303 says not only may a third party or applicant request a re-exam, but the director himself may request a re-exam. On occasion the director will request a re-exam when he/she sees a patent issued that shouldn’t have, or he/she thinks there is a question on the patent. The director will declare his/her own *sua sponte* re-exam. Once it’s declared an order issues. The patent owner has the opportunity to submit a statement. If he does, the third party or the requestor has the opportunity to reply. How many times do you think a patent owner submits a statement? Very rarely, because this gives the requestor a second bite of the apple when filing a reply. I am told the owner would rather let the re-exam engage, and then the requestor is shielded because he cannot further participate. Thus, rarely are these statements made.

Once the re-exam is initiated, §305 basically says, “look, we don’t have a whole set of separate rules for re-exams. We just examine them as we would have done in the first instance. We do it faster and we try to do a really good job, but we don’t have a new set of examination rules for re-exams.” There is an appeal process if you lose, just like a regular case. A certificate is issued, stating that the claims are allowed or cancelled.

What issues are considered during re-exams? Is every issue involved in examination considered in re-exam? No. The idea was to consider prior art issues not previously seen. A typical case refers to prior art that the examiner never knew about. Thus, re-exams are limited to §§ 102 and 103, issues regarding prior art. If you want to come forward, for example, and say the USPTO shouldn’t have issued for a perpetual motion machine, we might say your right, but we can’t declare a re-exam because that would fall under §101. We typically do not do that; I do not know if there has ever been a case on it, but the USPTO has never done it. If you come in and say it’s not enabled, we say, “Sorry, we’re not allowed to look at it. Go to one those distinguished judges’ courts, file a DJ action, and pursue your case that way.” A re-examination is a limited second look; it’s not to redo the

whole thing over again. That is why there is a balance between what the USPTO is allowed to look at and what it's not. However, if you add or amend a claim and it is a new claim never looked at in the first instance, then we are allowed to consider §§ 101, 112 and any other issues that may come up.

It is interesting to think about how a re-exam differs from a District Court proceeding. Let's imagine that we have a case in Judge Cohn's court and a re-exam is filed at the same time. My bet is that Judge Cohn is not going to stay the District Court case. Furthermore, the validity issues are percolating in District Court and at the USPTO. Is it the same set of review? Not quite. Judge Cohn has to give the patent a presumption of validity and the USPTO does not; there is no presumption of validity in a re-examination. Less evidence is necessary for the USPTO to invalidate or not issue the patent; that is one of the differences in the burdens and presumptions the USPTO office uses to review. Secondly, the USPTO gives claims their broadest, most reasonable interpretations. If a claim is subject to two possible interpretations, the USPTO uses the broader interpretation, so someone cannot then later sue under the narrow one. USPTO takes the broader of the two; however, the opportunity exists to narrow the claim if desired. In Judge Cohn's court, the case law requires claim interpretation to preserve the patent validity. Thus, there's a difference between the way validity issues in a re-exam case will be considered versus a District Court proceeding. There are slightly different standards.

You may be curious about some of the re-exam statistics. How many re-exams are typically filed a year? Since its inception about 1980, over the last 20 years there have been a total of about 6,000, which comes out to roughly 300 a year. If you think of a quarter of a million patent applications and 150,000 issued patents, 300 is a relatively small number. The largest percent of re-exam requests are by third parties, about 55%, but not far behind are patent owners at 43%. People think of re-exams as a way for competitors to tie up a patent, but it turns out that applicants/patentees use it also as a vehicle to get better examination of their patent, which I find interesting. Also, the director initiates about 2% of re-exam requests.

Over the last 20 years, the numbers started out at about 200 a year and peaked, ironically, in 1996 at just over 400; now we're running at about 300. Interestingly, 1996 was when *Recreative Technologies* was decided, which appears to have cut back on the scope of re-exams. It is interesting to see an increase and then a dip around the same time. It may be coincidental, but it may not.

The portion of re-exams that we know have been involved in litigation is 20%. My guess is that the number is low; I don't think the USPTO is told of every instance. Obviously there are going to be instances where the court is discussing litigation and a complaint may not be filed yet, but the requestor may still request a re-exam. Thus, those may not be technically litigation, but very close to it.

A re-exam is granted 90% of the time, which, in my personal opinion, is high, maybe too high. I think we should grant fewer re-exams and, when granted, the examination should be more thorough. Additionally, the USPTO should reject more patents by providing more upfront screening, as opposed to granting patents whenever there is new art.

How long does it take to complete a re-exam? Approximately one to two years. Re-examinations are given top priority in review and with the boards; however, the back and

forth between it all takes a certain amount of time. The USPTO does not stay the re-exam if there is a District Court case pending. There is a Federal Circuit case on that point. Furthermore, the USPTO does try to process a re-exam with what is called “special dispatch,” which is, for the government, a high level of speed.

The story I hear is that the USPTO grants re-exams pretty readily, but the claims usually get out the door, or the important ones do. Where all claims were confirmed, out of all the re-exams, about 26% were re-examined. That means that ultimately nothing was done to any of the other claims. That’s a quarter. That’s not so high. Where all the claims were cancelled, about 10% were re-examined. Again, that is a pretty low number. Where there were claim changes – a pretty broad group (this can mean one claim was amended, they all were amended, they were narrowed, etc.) – 64% were re-examined. Thus, in about two-thirds of the cases something changes, showing that the system is probably working. Thus, at least the re-exam doesn’t seem a waste of time.

Finally, it might not surprise you that in the area of chemical, electrical and mechanical engineering, it is an even split of 1/3, 1/3, and 1/3 that request a re-examination. There is not one group of technology cases that uses re-examination more readily than another.

Let’s talk briefly about a few of the cases. These cases involve more procedural issues than they do validity issues. This is because the validity issues are not much different in a re-exam case than they are in a regular exam case. If it is a §103, it is a §103, whether or not we can start the re-exam, whether we can consider it a re-exam, etc. Issues such as these come up a lot. There is a string of cases in the last three or four years I have been involved with in one way or another.

The first was *Recreative Technologies*,¹ in 1996. There, a §103 rejection was made in the original case based on a single reference by the District Court. In the re-exam, the USPTO made a §102 rejection based on the same reference. This was not a very complex technology – it was a towel cleaner for a golf bag. There is an old story in law school that I believe is true, “bad facts make bad law.” These were bad facts. Arguably, the examiner should have caught it in the first instance, but didn’t. Judge Newman wrote a fairly strict opinion suggesting that since the re-exam was limited to new questions about technology not in front of the examiner in the first instance, it required “new prior art.” I respectfully disagree. If you read §§ 301, 302, and 303, it does not say “new art.” However, I can understand her frustration with a single reference being used a second time. We cannot consider the same question, but arguably, do you need new art?

That was the beginning of limiting re-exams. About a year later in a similar case, *Portola Packaging*,² Judge Luray took it one-step further, relying on the wonderful precedent of *Recreative Technologies*. He said that government officials are presumed to do their job well. I appreciate that. He went on to say that if it’s a cited reference, the examiner must have read it. With all due respect, it’s like saying I’ve read every single case that’s cited, but I haven’t. I don’t read a standard summary judgment case they might write, except obviously on the key issues. In *Portola*, the references were read by the

¹ *In re Recreative Technologies Corp.*, 83 F.3d 1394 (Fed. Cir. 1996).

² *In re Portola Packaging, Inc.*, 110 F.3d 786, 42 USPQ2d 1295 (Fed. Cir. 1997).

examiner, you could see that. The references were applied individually or in different combinations. Then in the re-exam, the references were combined in a different way. Judge Luray said you couldn't do that. He said that not only had the examiner read every one of the references that had been cited, he had considered them both alone and in every possible combination. Any math majors here? That is just not factually accurate, but that is what he said.

Again, bad facts make bad laws. However, here the facts were not quite so bad. It was clear that the examiner had read the references in the first instance. otherwise he couldn't have applied them. I think that probably troubled Judge Luray, and he went one step further. He said that not only did the examiner do this for the existing claims, he did it for the amended claims that he never knew about during the original examination. Talk about clairvoyant. The examiner considered all the possible combinations, both alone and in combination, for claims he never saw. That's pretty good. The argument was that you could only narrow claims in a re-exam; therefore, he must have considered them. I think that as claims get narrower, little lights go off in your head and you say that the reference is a lot more important. He did not necessarily consider them, but that is what Judge Luray said.

We tried to take the case *en banc*. We convinced one single judge, but I guess that was not good enough. Judge Rader wrote what I thought was a fair dissent for not taking the case *en banc*. He went through the statutory construction and said, "Hey, we're not looking for work. This is not an us-versus-them mentality, this is 'we think we might have made a mistake. We would like to correct the mistake. Please let us do it.'" They didn't.

The court fortunately seemed to cut back a little bit in the case that followed, *in re Leonardo*,³ dealing with double patenting. The USPTO lost those two cases, and the court allowed us to consider double patenting in a re-exam so long as it wasn't considered in the first instance. There were good facts in that case. I don't think good facts make just outcomes, but it was an interesting case.

In the *Henniker* case,⁴ a couple of years later, the re-exam grant was based on old art, but the rejection was based on old and new art. The court said that was good enough and looked into the rejection, not at the grant. What happened in that case was that we never knew this rule was there. We started re-exams pre-*Recreative Technologies*, and then realized what the rules were and rejected them based on old/new art, and they said that was okay.

The USPTO had a recent case that Ray Chinn argued in EDDA, in front of Judge Ellis.⁵ People are surprised that the USPTO is sued in District Court as well as in the Federal Circuit, but we do get sued there. It's usually not merit based, but we still have to go prove that. They sued the USPTO to try to shut down a re-exam. A second re-exam was granted in a case and somebody sued to try to enjoin to USPTO. Judge Ellis, in what I thought a very thorough decision, basically found that grants of re-exams are not final

³ *In re Leonardo*, 119 F.3d 260 (Fed. Cir. 1997).

⁴ No citation found.

⁵ No citation found.

agency decisions and are therefore not challengeable in the District Court. Basically, you have to wait and see if the claims are rejected. His point was that there were many ways to win: you can convince the examiner not to reject your claims, convince the board not to reject your claims, or can convince the Federal Circuit. Until you get a final decision, the court is not going to look at re-exam grants in the first instance.

The *Portola* and the *Recreational Technology* cases went one way. At least there has been a little insight in cutting back. Again, go back to the purpose of granting re-exams, if done right: to correct errors. If you put all kinds of roadblocks in front of the USPTO, they are not going to be re-examining patents that they think are invalid. I don't think that's really what Congress had in mind.

After those cases came down, what did the USPTO do? We tried to figure out what they meant, told examiners what they meant, told the public, and issued "guidelines." "Guidelines" are not law, but they give the USPTO case interpretation. There are three ways of interpreting the bright-line rules laid out by *Portola*. We could say a cited reference is considered, or we'll never look at a case on re-exam unless you give us new art. We could have gone to the other extreme and stated that the cases had to be read and applied, which the facts of both those cases stated. We fell somewhere in the middle. We said that if the reference is cited and discussed, we will not usually consider it in a re-exam. However, we did not go so far as to say that a cited reference is good enough. Why do we do that? It was not to say that the Federal Circuit cannot extend *Portola* and *Recreation Technologies* in this direction. The bottom line is that that was not the holding of those two cases, and we feel the alternative would be a dumping in of references. We'd get hundreds of references and we wouldn't want that to happen.

I want to touch on two final items. One is that there is now a second type of re-exam with the American Inventor's Protection Act (AIPA)⁶ called an "interparties re-exam." There are now interparties re-exams and exparties re-exams, but the majority are still exparties re-exams. The reason is that the interparties re-exams only apply to patents filed and issued after the AIPA passed, around Thanksgiving of 1999. Although the USPTO does a good job, it usually takes about two years to issue patents, so eligible patents have not yet come out the door. Thus, there have not been a lot of interparties re-exams so far.

There are two main issues to consider in an interparties re-exam. First, there is a set of statutes that apply. But there are several key effects. One is that the requestor is not frozen out of the re-exam process and can respond to everything the applicant says. Thus, it is a back and forth process, with the requestor receiving 30 days to respond. This is a major change. However, there are two things that really do not help the requestor and that the requestors do not like. One, although they can appeal to the Board of Patent Appeals, if they lose they cannot appeal to the Federal Circuit. The second concern is that there is an estoppel. Basically, you cannot raise in Judge Cohn's or Judge Sauer's court any issue you could have raised or were able to raise in a re-exam. Thus, you are not able to do both, you must pick one.

⁶ American Inventors Protection Act of 1999, Public L. No. 106-113, 113 Stat. 1537-544 (1999).

The last point I will make is there is legislation in Congress now to change some of what I have stated. One piece of legislation looks at reversing the *Portola* issue and says that just because art is cited, that does not mean it cannot still be considered in a re-exam. The second piece would allow all interparties re-exams to appeal to the Federal Circuit. Both bills have been introduced, but who knows what will happen to them. It is interesting to see that Congress is moving somewhat in the same direction the USPTO is taking.

Thank you very much.