

H.R. 1866 and H.R. 1886: Reexamining Patent Reexamination

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On May 23, 2001, the House of Representative Intellectual Property Subcommittee chaired by Republican Howard Coble of North Carolina approved H.R. 1866 and H.R. 1886.¹ These bills are intended to improve patent reexamination proceedings in the United States Patent and Trademark Office.

Patent reexamination is an administrative proceeding in which an issued patent is reexamined by the Patent Office because a “substantial new question of patentability” arose after the issuance of that patent.² Reexamination is designed to protect the public by ferreting out invalid patents without the expense of litigation. In addition, patent reexamination allows courts to refer patent validity questions to an administrative agency with expertise in both the patent laws and the technology involved. Patent reexamination can reinforce investor confidence in the certainty of patent rights by affording an opportunity to review patents of doubtful validity. Furthermore, patent reexamination provides an opportunity to patent holders as well, allowing them to strengthen the validity of a patent if new information comes to light.

H.R. 1866 would overrule the Federal Circuit’s decision in the case of *In re Portola Packaging Inc.*³ In that case, the court held that as a matter of law, a substantial new question of patentability cannot arise if the references asserted by the requestor were already relied upon by the examiner at the time the patent was initially examined. In other words, a reexamination proceeding cannot be granted if the reference that purports to raise a new issue of patentability was applied by the examiner during the original examination process. Accordingly, the most effective way to meet the substantial new question threshold has been the citation of prior not previously considered by the examiner.

In the *Portola Packaging* case, a third-party patent challenger requested a reexamination proceeding, claiming that several references raised new questions of patentability. One of the references was not cited by the examiner during the original examination process. During the reexamination proceeding, Portola Packaging narrowed its patent claims to define the invention around this new reference. Nevertheless, the Patent and Trademark Office rejected the narrowed patent claims in light of two references that were previously considered by the examiner during the original examination. On appeal, the Federal Circuit overturned the rejection, and stated that reexamination should have been terminated once Portola Packaging narrowed its patent claims to define the invention around the newly cited reference.

HR 1866 specifically provides that the existence of a substantial new question of patentability is not precluded by the fact that a patent was previously cited by the examiner. The proposed legislation recognizes that the limitations placed on “a substantial new question of patentability” by the *Portola Packaging* case were unwarranted. There are many instances where a patent examiner may misconstrue, overlook, or simply fail to understand the relevance of a prior art reference of record. Limiting the ability of patent challengers, and even patent owners, to raise a substantial new question of patentability without citation of newly discovered references reduces the quality of the Patent and Trademark Office examination process, and can force challengers to incur the substantial expenses of litigation to expose the invalidity of a patent (or to simply acquiesce to patent owners demands, e.g., if the cost of litigation outweighs the cost of a license).

The Court in *Portola Packaging* pointed out that government officials are presumed to have properly discharged their official duty. The court stated “if the references were in front of the examiner, it must be assumed that he or she reviewed them.” The court’s absolute bar against reexamination relating to references that the examiner is presumed to have reviewed, however, went too far.⁴ Patent challengers, and patent owners alike, can benefit from the ability to provoke a reexamination on the basis of references that were already considered by the examiner. To be sure, allowing such reexaminations would reduce legal costs, conserve judicial resources, and provide a quicker way to resolve the validity of patents.

H.R. 1886 is another bill aimed at improving the reexamination process. H.R. 1886 would allow third parties to appeal reexamination decisions to the Federal Circuit. Under the current law, third parties cannot appeal reexamination decisions beyond the Board of Patent Appeals and Interferences, the administrative tribunal within the Patent and Trademark Office.

H.R. 1886 would allow third party appeals to a more impartial body (the Federal Circuit). Many third parties may currently choose to avoid the use of reexamination proceedings because judicial review is not available. Losing an argument before the Board of Patent Appeals and Interferences might strengthen a competitor’s patent. For this reason, some patent challengers avoid the use of the reexamination proceedings, in favor of more costly declaratory judgment actions in District Court, which can be appealed to the Federal Circuit.

H.R. 1886 is based on the notion that if reexamination proceedings are designed to protect the public by eliminating invalid patents without the expense of litigation, then the public ought to be able to appeal a negative decision to the ultimate patent authority. This would encourage the public to use reexamination proceedings, rather than the more costly declaratory judgment actions for patent challenges. Judicial resources would also be conserved insofar as declaratory judgment actions are avoided in favor of the reexamination proceedings.

Notwithstanding the clear benefits of these new reexamination bills, H.R. 1866 and H.R. 1886 could be viewed by patent owners as limiting their patent rights. Indeed, these bills do provide patent challengers with additional ammunition for patent challenges. In light of recent case law, which imposes substantial limits on the scope of patent coverage, patentees’ concerns about the scope of their patent rights may be well founded.⁵

Still, these new reexamination bills could also strengthen patent owners’ rights. To be sure, H.R. 1866 would allow both patentees and patent challengers to initiate reexamination proceedings where a substantial new question of patentability relates only to references that were already considered by the examiner. Indeed, the availability of such a proceeding could be very advantageous to an owner of a patent of dubious validity. In addition, other patent owners may want to initiate interference proceedings in scenarios where it is almost certain that a reexamination based on references already cited by the Patent and Trademark Office would be denied. In those cases, denial of the reexamination proceeding could strengthen the patent owner’s position. In addition, H.R. 1886 may provide benefits to patent owners insofar as it encourages patent challengers to use the reexamination proceedings, rather than the more costly declaratory judgment actions for patent challenges.

In sum, these new patent reexamination bills would improve the patent process. H.R. 1866 expands the availability of reexamination proceedings for patent challengers and patentees alike. Moreover, H.R. 1866 should reduce the costs relating to patent challenges and conserve judicial

resources by promoting the use of an administrative proceedings for patent challenges. H.R. 1886 expands the rights of challengers, allowing challengers to appeal reexamination decisions to the Federal Circuit. This too, should improve the patent process, encouraging patent challenges to use the reexamination proceedings and promoting the correct rule of law as determined by the highest courts.

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¹ For text of the bills see <http://www.ipo.org/2001/House107th.htm>

² See 35 U.S.C. §§ 302-318 for the pertinent statutes on reexamination

³ *In re Portola Packaging Inc.* 10 F.3d 1473 (Fed. Cir. 1997)

⁴ The Patent and Trademark Office's official position regarding the *In re Portola Packaging* case would not go as far as the forgoing comments of the *Portola Packaging* court imply. The Patent Office pointed out that these statements were dicta and the true holding of *In re Portola Packaging* could be limited to references that were actually applied during the original examination process. Thus, the Patent and Trademark Office's interpretation of *In re Portola Packaging* would only preclude a finding of a substantial new question of patentability if the reference in question was actually applied against the patenee during the original examination process. See Patent And Trademark Office Guidelines for Reexamination of Cases in View of *In re Portola Packaging, Inc.*

⁵ See *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558, 56 USPQ2d 1865 (Fed. Cir. 2000) (limiting the scope of the doctrine of equivalents).